The CREDIT WORLD

The only monthly publication serving the entire field of consumer credit

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Elevator Files Increase Credit Bureau Efficiency
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People and Events
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The CREDIT WORLD

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editorial

Futures Unlimited!

THE CHALLENGE of growth and advancement is before you . . . will you rise to the occasion? Reflect for a moment if you will . . . how many times have you attended a local credit association meeting, district or national conference? How many books have you read recently on the subject of consumer credit? When did you last make a voluntary contribution to your top management?

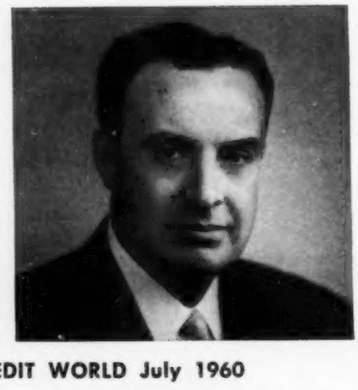
Webster says *growth* means, "to advance, stretch out, to lead or to become stronger." The very definition implies *challenge, new thinking,* and *action.* The opposite is to dwindle, shrink or die. There is no place for complacency or self-satisfaction.

America's economic future is almost unlimited. We have witnessed the productive capacities of our great plants and have seen them turn out anything we need. Yet, this great output means nothing unless it is in the hands of those who need it. It is up to the middlemen to distribute these products to the consumers. However, a mass distribution system cannot successfully operate unless accompanied by a readily available and ample supply of consumer credit.

You, as a member of the consumer credit profession play a vital role in America's future. Whether you represent a small business or a large organization, every dollar of credit you extend goes to make up the total picture. It is your judgment that counts and makes for a sound credit economy. The credit you extend is a part of the $52 billion talked about on the floor of Congress or in the halls of state legislatures.

The consumer credit profession is in need of leaders who can, and will, speak up for the great and beneficial power of credit. It is in need of men and women who are not afraid to stand up against ambitious political leaders and others who are trying to regulate or restrict our industry.

Management needs well-trained credit executives to round out their team. These people must be well informed and capable of speaking for the organization. The challenge of growth is before you . . . will you rise to the occasion?



William H. Blake
Executive Vice President
NATIONAL RETAIL CREDIT ASSOCIATION

Consumer Credit Around the World

Dr. M. R. NEIFELD

Vice President, Beneficial Finance System
Morristown, New Jersey

(An address at the 46th Annual International Consumer Credit Conference, Chicago, Illinois, June 6, 1960.)

CONSUMER CREDIT is on the rise around the world, and it is showing up in places where it never appeared before. Take the Iron Curtain Countries as an example. Until last year the Russian party line was that consumer credit in the capitalistic countries was introduced because wages are too low. It makes people with small incomes spend more than they can actually afford. Buying things that are too expensive they get more and more enmeshed in debt and are even ruined. The system lines the pockets of the finance companies.

Then suddenly, last year, the party line switched. In capitalistic countries it is a device imposed by the finance companies to enslave the worker, but in the Soviet Union the hire purchase system is introduced at the request of the factory and office workers themselves. The government's decision states outright that the innovation is expected to create very favorable conditions for buying durable consumer goods. And the Soviet sun begins to shine on advertisements like "This store sells on credit." "For Sale on Instalments." All with an overtone of "How wonderful that we make these generous arrangements for you!"

How come this about-face? I believe you will understand the pace of consumer credit abroad if, first, we see why consumer credit in the United States is so far ahead of the rest of the world. So let us consider briefly what conditions have fostered the growth of consumer credit in our country.

The environment in which consumer credit flourishes is made up of a complex of economic conditions, institutions and social attitudes which interact and reinforce each other. In the United States their history has been somewhat as follows.

Consumer credit mostly in the form of open accounts, was extensively used in Colonial days when the economy was predominantly agricultural and handicraft, but it was based on a farm economy in which debts are settled once a year —after the harvest.

Then came the Industrial Revolution. Traditional ways of doing and making things were upset. The economy changed and the form of consumer credit changed.

People gave up farming as a mode of life. They crowded into cities where they took jobs in factories, stores and offices. They are paid weekly or semi-monthly in a money wage. So consumer credit is repaid by weekly or monthly instalments.

Food, clothing and shelter are the basic necessities for existence. Only when the money wage leaves a margin above these basic necessities are there opportunities for raising the standard of living to include the comforts and luxuries.

As productivity increased under the advance of technology, it was shared with the public in the form of lower prices, or better quality, or both, and with the worker in the form of more pay and more leisure. The effect is to lift real income above a mere subsistence level. Wage and salary earners have discretionary income left over for other use and more free time in which to spend it. Discretionary income is income that consumers can spend, or not spend, without any immediate personal inconvenience. Industry bid for this discretionary income by offering durable goods for personal ownership that yields transportation, household services and recreation. These consumer durable goods cost more than wage-earners can usually pay for in cash. For the oil burner, the refrigerator, the washing machine, vacuum cleaner, TV set and automobile to reach the mass market, there must be some machinery for budgeting between cost and income.

Rapid growth of consumer credit in the United States was not impeded by class or caste rigidities, but it was checked by lack of proper legal framework for rates and collection. About 1915, credit union, small loan and sales finance legislation removed that barrier. A variety of competitive institutions appeared to finance the consumer.

The automobile, bought on time-payments, gave the family freedom to move about and reach out for the attractions of suburbia. Discretionary income was also channeled into home ownership. This increases the need for more durables: refrigerators, deep freeze units, garbage disposers and power lawn mowers. More leisure expands the demand for recreational facilities: backyard swimming pools, outboard motors.

Industry jobs are more attractive than housework, and the shortage of domestic help augments the demand for home durables. This de-

mand is further increased by desire of housewives for more time for out-of-house activities.

Among other things, the Great depression of the Thirties left a heritage of unemployment insurance, social security, health insurance and retirement pensions. There is less urgency about accumulating substantial assets to meet emergencies, sickness, unemployment and retirement. More discretionary buying power is available for current commitment on time-payments.

In the years since World War II, there has been income security that comes with prolonged prosperity and forms a solid basis for time purchases. Families start earlier, raise more children, and more married women work to fatten the family exchequer.

Consumer credit has lost its earlier social stigma. It has become an accepted and respected part of the consumer's way of life.

With this background, let us turn to other parts of the world. Consumer credit is beginning to take hold elsewhere for the same reasons that it took hold here.

In Europe there has been urbanization and industrialization for a long time, but incomes were not much above the subsistence level. Vestiges of a feudal caste system restricted mobility across class lines and favored social codes that frowned on the use of credit by the consumer.

Competitive Market

Foreign businessmen have not been friendly to a dynamic expanding competitive market. They have been cool to the concept of a rising standard of living through greater distribution of income to consumers. The social attitude has disparaged the use of consumer credit.

The United Kingdom and other European countries for whom exports are vital for economic health further frown upon any competition for national resources that might be generated by consumer credit. Monetary authorities have fewer and less effective general controls to combat inflation caused by lopsided balance-of-trade payments. They turn more quickly to direct consumer credit controls. Every once in awhile when the balance-of-trade payments become unfavorable, a regulation W type of restriction is imposed on consumer credit. Within the last few weeks England once again raised downpayments on consumer credit.

There has been a great change since World War II. Industrial employment has been high. Real income has increased. There is more discretionary income. Everywhere there is earnest groping for better living conditions. Middle class Europeans are now demanding the small comforts of life. Workers have graduated from bicycles to motorized scooters and even to automobiles through time-payment plans. And their wives are clamoring for mechanical refrigerators and other household electrical appliances.

Liberal Terms

In Smethwick, an industrial suburb of Birmingham, England the Lord Mayor found a sharp drop in the number days mill workers were absent on strike or "sick" after the introduction of more liberal consumer credit terms. He also found that the pubs were losing daytime trade. His explanation: The women folk in his bailiwick like their new TV sets and electrical appliances. They want their men folk to work—and no nonsense—so that the monthly payments will be met.

You even see this groping for a higher standard of living in Latin America where incomes are still pitifully low, but are beginning to leave some discretionary income. "Senor," said Pedro to the merchant in Santiago, Chile, "I have 20 pesos a month left over. What can I buy with them?"

Consumer credit is increasing in social acceptance. In some European countries the banks have just begun to offer credit directly to the consumer, and in other countries they are helping to do it indirectly through support of the various types of finance companies that are coming into existence. Small retail merchants have always done a certain amount of their business on credit, but now bigger department stores are embracing it by formal promotion programs.

Disposable Income

With all the expansion of consumer credit in European countries, repayments still amount to no more than 2 per cent to 3 per cent of consumer disposable income. This is low in comparison with the American level of 12 per cent to 14 per cent.

However, the pressure of increased discretionary income has already broken through the social barrier as far as the consumer is concerned, and is rapidly increasing the understanding of the European business man on the value of consumer credit. Credit furniture houses in England no longer have to advertise "We deliver in unmarked vans," and there is less public sneering at consumer credit as "The never never Plan."

At the moment such countries as Turkey and the Island of Cyprus, which is about to cut its apron strings to Great Britain, have low potentials for consumer credit. In Cyprus with an economy that is predominantly agricultural, incomes are low and the use of consumer credit is limited to a small proportion of the total population of 500,000. Nevertheless, the buying of motor cars, refrigerators and washing machines on hire purchase is growing.

In Turkey, incomes are also low and, in addition, a forced build-up of capital improvements favored by the government has drained money and credit from business. Business men cannot get from the banks all the credit they need, and frequently have to resort to loan sharks at extraordinarily high rates.

As the pressure of the forced emphasis on national capital formation eases and as capital flows in from abroad to develop the home market of 25 million, consumer in-

comes will go up and consumers will have discretionary income to buy home conveniences.

Since tenants are expected to furnish their own stove, refrigerator, space heaters and water heaters, a large market will be opened for household appliances and consumer credit will play a major part in distribution of such products.

Devastated Countries

Then there are the devastated countries like Greece where war damage was so extensive that even now after tremendous help from the United States, agricultural production is not yet back to prewar levels. Tremendous effort is being made to restore bombed-out productive facilities. Money and credit are directed to this purpose at the expense of imports and commerce. Discretionary income of consumers is going up and there is some consumer sales credit. In common with people everywhere the consumer will use much of his discretionary income to raise his standard of living to acquire consumer durable goods on time payments when they soon become available. This development would be speeded up if finance companies were introduced into Greece. Conditions are right and there is virgin territory to be explored for both cash loan companies and sales finance companies.

Israel is another country where strenuous efforts towards self-sufficiency have made considerable progress in changing from an agrarian to an industrial economy. Up till now there has been practically no credit available for the purchase of consumer durables. The time is coming when it will be necessary. Conditions are changing in the market. What has been a seller's market in every line, has recently changed to equilibrium and in some lines there is the first appearance of a buyers' market. What has hitherto been purely a problem of production, suddenly looms as a problem in marketing and distribution. Israeli business men must adjust their sights to marketing in a competitive economy, to reaching buyer levels below those that can pay cash for consumer durables so that new factories may keep up volume production and to replace the concept of statism by the concept of private initiative. The forward looking business men, therefore, are eager to learn about American marketing distribution and selling methods, and the techniques, such as consumer credit, that help move goods. Within the next five years there should be a substantial development in the application of consumer credit.

Underdeveloped Countries

In the underdeveloped countries of the Far East, Near East and Africa, the economy is predominantly agricultural at a low level of productivity. There is no, or very little, discretionary income above subsistence needs. Marketing and distribution are not troubled by problems of excess stocks, promotion and advertising, quality and product differentiation, or consumer vagaries of choice.

Most of these economies depend on a small number of export commodities: cocoa, sisal, coffee, minerals and a few others. This makes them vulnerable to fluctuations in world prices. So these emerging countries strive for diversity in economic activity through industrialization. This effort is handicapped by inadequate transport facilities, shortage of technical skills, lack of statistical information and insufficient domestic saving.

With the low level of income for the masses, with only a thin middle class, and a still thinner upper class there is very little scope for the use of consumer credit in such new African states as Ghana and Kenya. What little is used is hire purchase mostly for automobiles, and that is generally handled by the dealers themselves.

In the Union of South Africa the story is different. Consumer credit has made substantial progress. There is one automobile for every five whites and many automobiles are owned in addition by Indians, and by the wealthier Bantas and by the coloured. Many of these are finance. There is good consumer credit legislation. The Hire Purchase Act, originally passed in 1942 covers movables up to £2,000, requires disclosure of the terms of the contract, permits garnishee, not to exceed 25 per cent of salary, and allows repossession if 2 payments are missed but requires reinstatement if arrears are paid within 21 days. Unfortunately, the outlook for all business in South Africa is clouded by the inflammable apartheid policy of the ruling Africaner party.

In all countries outside the North American hemisphere the job of the credit manager is somewhat complicated by the lack of credit bureaus. Business men in other countries of the world are reluctant to pool their credit experience with competitors. This is trade hush-hush which you keep to yourself.

Generally, too, there are no legitimate cash lender to consumers elsewhere in the world, such as the industrial banks and small loan companies of the United States. Occasionally a consumer who needs a cash loan may be helped by an indulgent employer. Otherwise, he falls victim to loan sharks.

Curbing Loan Sharks

In its attempt to curb the loan shark in England, the British Money Lenders Act of 1927 instead virtually gives him a clear field for it sets up road blocks against the development of legitimate cash lenders. Legitimate money lenders find it impossible to get started because the Act forbids the money lender to use any display advertising or to do any direct by mail solicitation or to ask any one to recommend his service. All he may do is to advertise "John Jones Money Lender" and his address at $7 a line in the newspapers.

We have seen that in underdeveloped and fledgling countries the economy is predominantly agricultural at a low level of produc-

tivity. There is no or very little, discretionary income above-subsistence needs. Distribution is not troubled by problems of excess stocks, promotions and advertising, quality and product differentiation, or consumer vagaries of choice. In technically advanced countries whose productive capacity has been ravaged by war, governments direct their energies to reestablishing the productive machinery of the country, and arbitrarily contain consumer demand. Discretionary income does not have the freedom to express itself in a higher standard of living.

Heavy Industries

The iron curtain countries are the prime example of countries where production has been distorted by government direction to concentrate on heavy industry. But in both the free countries and within this year in the communistic countries there comes the time when austerity has to be softened to overcome consumer apathy.

When the American military forces landed in North Africa during the late war, they hired natives to help build the air bases. They paid labor more nearly the American wage scale than the local one. A native worked a day or two and he earned enough to keep him in food for a week or two. There was no incentive to work steadily for there was nothing to buy with the extra money. Some bright person saved the day. He sent for some Sears-Roebuck catalogues and said "See! This is what you can buy with the extra money."

Where free enterprise is possible the concessions to consumers come earlier and easier, but even in communistic countries, where there is little scope for individual enterprise, state planners come to realize their need for relaxing the compulsions of rigid concentration on capital goods only. To overcome consumer apathy or even sullen resistance building up to an explosive point for lack of incentives above subsistence, they must increase the supply of consumer goods. The Russians have been promised that by the end of this year every third consumer would be able to buy a bicycle as a means of personal transportation.

So we find the urgency of reconstruction and industrialization being relaxed to allow for greater production of consumer goods. But since all retail trade in communistic countries is socialized, there is only sluggish communication between point of sale and the centralized planning echelon at the top. Distribution distortions appear. Untold goods pile up, or they are shipped to the wrong places or not enough are shipped to the right places, or the number of retail outlets is too few or the goods pile up because quality is inferior and repairs and part replacements are unsatisfactory, or because people just do not know about the goods.

Doctrinaire tenets about the wastefulness of capitalistic marketing systems melt before the realities and communistic planners begin to apply the elements of sale promotion: price reduction for goods in excessive supply; advertising, first to provide information and then to advance competitive claims for product differentiation; self-service outlets; rental stores for durable goods, vending machines and special trade fairs where goods can be seen and handled.

Durable Goods

When factories are built to produce consumer durable goods (watches, radios, TV sets, hunting equipment, bicycles, washing machines and refrigerators), the realization soon comes that these factories can turn out more goods than can be sold for cash. At this point consumer credit is discovered as a means to broaden the market. For the average consumer cannot buy if he has to pay all cash, but he can and will buy if given a convenient time payment plan. And so it is rationalized: "In our country neither factory nor office workers need to pay for their food or all sorts of small things for every day use by instalments. The hire purchase system here is a means of helping them to buy big things they like immediately without having to put aside money.

No credit bureaus are needed. An applicant for credit presents the merchant with a document from his employer which identifies him, states his salary, and authorizes automatic payroll deduction for the instalment payment which goes direct from the employer to the merchant. The charge for credit is unrealistic law. It ranges down from a maximum of 6 per cent annum simple interest to the low annual rate of 2 per cent. The low rate is not all significant since the state can manipulate the price. Whenever the government wants to discourage distribution, no credit at all is available.

Instalment Credit

There are two reasons to expect the rapid development of instalment credit behind the iron curtain. Having once tasted the satisfaction of raising their standard of living through the purchase of consumer durables, consumers will be more insistent on easier access to such goods and more demanding for a greater variety. The other reason is that the top level planners have had forced upon them the advantages of capitalistic marketing devices and techniques, including the power of consumer credit to absorb production. They will now exploit credit and other device with characteristic thoroughness and singleness of purpose.

With this brief survey of consumer credit in several countries abroad I come back to my original thesis. Consumer credit follows a characteristic evolution as a country becomes prosperous enough to generate discretionary income. This pattern was first developed in the United States. Now it is appearing abroad. We have every reason to believe that development will parallel the development of consumer credit in the United States and that as it does we may expect a wide acceptance and use of consumer credit. ★★★

LISTENING:

A Key to Better Credit Management

PROFESSOR WESLEY WIKSELL, Ph.D.

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FORTUNE magazine, in their September 1950 issue, observed that listening is one of the leader's most overlooked tools. Many individuals and groups agreed that the editors of *Fortune* had not exaggerated its importance. Let us consider, then, six reasons why you, as a credit manager, should give more attention to listening.

1. It will help your company sell more of its goods. The credit manager is usually the second person in your company the customer sees. The situation is often a delicate one. Sympathetic, friendly, and complete attention leaves the customer with a favorable impression, and he is more likely to want to pay his bills and come back in the future. On the other hand, poor listening can create such a negative attitude toward the company that the customer may resent every payment and never come back.

2. Good listening habits will make collections more effective. The days of "telling" the delinquent payer are gone. The trend in modern collection procedures is to listen to the man to find out why he is not paying as scheduled. His reasons may be valid. Understanding and encouragement can go far to help him solve his problems. The possibilities of payment are greater than if you threaten, and again, the customer is more likely to purchase additional goods from the company.

"Listening: A Key to Better Credit Management," is adapted from Dr. Wiksell's new book "Do They Understand You?" published by The Macmillan Company, 60 Fifth Avenue, New York 11, New York. Written in an easy-to-read, informal style, the 200 page book contains examples from interviews and tape recordings in industry, illustrated by pertinent quotations from the Bible to *Esquire*. Self-analysis question sheets and selected bibliographies are also included in the practical self-help book that enables the reader to make his needs, desires, and opinions better understood by his business and personal associates.

3. It will save you time and decrease the possibility of mistakes in your record-keeping if you listen well.

4. Good listening will improve the morale of your subordinates. A study made by an insurance company found that the supervisors who listened to their workers had higher morale in their departments than those who did not. You might try to listen more to obtain higher morale in your offices.

5. In other areas of business it has been found that leaders who listen to their people, sympathize with them, and try to act on complaints quickly, have a smaller number of grievances. If you, in management, listen to your people, you will uncover potential grievances and be able to correct them before they cause trouble.

6. People will work harder for you if you listen well. A large farm machinery company offers another example of the importance of listening. Foremen and supervisors were asked what they thought were their worker's opinions of themselves. Later, the workers were asked to describe their supervisors. Then, the results were compared. The findings showed that supervisors of high-productivity departments evaluated their workers' opinions quite accurately, but the supervisors of low-productivity departments did not. Misjudging your actual relationships with your employees may cause low productivity. How can you find where you really stand with your workers? Primarily by listening.

Although many people think listening is a simple matter, it involves more than keeping one's own mouth closed while the other fellow talks. The skill of listening cannot be acquired in a few easy lessons. However, it might be helpful to consider 14 obstacles to effective listening and then to take positive steps to eliminate them.

1. The first and most common obstacle is unawareness of the importance of listening in your relationships with others. When you are thoroughly convinced

of the importance of listening, you will have won half of the battle.

2. Hearing loss is also an obstacle. Some people suffer from a partial loss of hearing. The ability to hear naturally diminishes in middle age. No one is embarrassed to wear glasses to correct vision defects, so why should anyone feel differently about wearing a hearing aid? You should have your hearing checked by a doctor periodically.

3. Fatigue and illness are obstacles to listening. These causes also require medical advice.

4. Tension is another physical obstacle. Subordinates are often unpredictable. If you do not know how to deal with them, you may become tense. An appearance of tenseness can impair the lines of communication. You should appear relaxed when men talk with you in your office. Drumming on the desk, continuously adjusting glasses, stroking the chin, adjusting clothing, or similar mannerisms will discourage a caller from expressing himself freely. He will become more concerned with watching you than with talking.

5. Impatience is another obstacle. You cannot hurry a person when he is talking. Let him say what he has to say at his own pace. The president of one company told me that in his estimation, patience is the first requirement for good listening.

6. Preoccupation is another obstacle that blocks communication. If you are thinking about your next mortgage when someone speaks to you, it is almost impossible to pay close attention to him. You must have empathy with the other person. This is the capacity to put one's self in the other person's place and think about his problem from his point of view.

7. Egocentricity is another barrier. The self-centered person cannot listen. It is necessary to exalt the "you" and dethrone the "I" to listen effectively.

8. Another obstacle is prejudice. It has no place in the life of a supervisor or manager. Prejudice against a person deafens the listener. Be careful not to prejudge a person before you hear what he has to say.

9. Distractions also hinder listening. Too many objects in view during conversation distract both you and also the subordinate or client. A stack of important papers on the middle of the desk offers a great temptation to let your mind wander back to them. Pictures also distract attention. Doodling is almost a personal affront to the visitor. If you clear your desk and avoid doodling, the chances are good that both you and the caller will be able to concentrate on the matter at hand. Remember to look at the person who is talking to you. You know from your own experience how disconcerting it is to find a person looking in another direction when you enter his office. It is even more disconcerting when the person continues to look in another direction while you talk.

You will achieve better communication results if you get away from distractors.

10. Trying to do two things at once has a deadly effect on good communication. You cannot talk and listen at the same time, or read and listen at the same time, or listen to two different things simultaneously. Effective listening requires undivided attention.

11. Remember, too, that a word may have several different meanings. For example, one dictionary gives 14 different meanings for the word "jack." If you are to avoid misunderstanding, you must do more than superficially hear the speaker's words. You must try to understand the full and exact meaning of all his words in context. Complete attention is vital.

12. Some people plan their answers while the other person is speaking. Again, no one can do two things at once. You cannot listen and plan a reply at the same time. You should wait until the other person has finished before deciding on an answer.

13. You cannot blame the other person for misunderstandings in communication. It is easy to exonerate one's self, but it will not improve communication. Communication is your responsibility, and you will have to work at it.

14. One last barrier to effective listening is pretense. Pretending to listen seldom fools anyone. No matter how good you may think you are acting, people can see through it. Good listening requires sincerity.

One of the best listeners I have ever known was Dr. W. W. Charters, formerly head of research at Ohio State University. I visited his office for a talk quite often. Dr. Charters sat behind a large desk covered with papers and books. As I entered his office, he stood up, welcomed me, and then invited me to be seated in a chair in another part of the room. He usually asked a question like, "How was the fishing yesterday?" I was quickly drawn into a short con-

(Turn to "Listening," page 25.)

Anderson Surveys Officials on Labeling Bill

This article is the result of an exchange of correspondence and telephone conversations between Norman Anderson, President, Merchants Credit Bureau, Waukesha, Wisconsin, and a number of officials in Washington, D. C.

OFFICIAL REACTION to the Consumer Credit Labeling Bill (Douglas proposal) varies. This was learned earlier this month in an exchange of correspondence between Norman Anderson, President, and a number of public officials in Washington, D. C.

Phoning in a response to a telegram, Vice-President Nixon's press secretary told Anderson that the Vice-President has as yet expressed no views and has not taken a public stand on this hotly-contested issue. No further information could be secured from the Nixon headquarters.

"All my bill asks for is the truth," were the opening words of a telegram received from Senator Douglas (D., Ill.). Douglas asserted that most of those opposing his bill "are unwilling to oppose it directly but are trying to defeat it by striking out the provisions for disclosure to consumers of the true annual rate of interest and credit charges." Among the reasons for this, Douglas claims, are that "most commercial banks in their consumer credit business charge either $6 per hundred add on or discount which is really about 12 per cent; auto credit is generally 11 to 12 per cent; department stores normally charge 1½ per cent per month which is, of course, 18 per cent per year, and most state laws allow charges of 24 to 36 per cent for small loans." The Illinois Senator went on to emphasize that such credit charges are normal and usual, and are not those of "shysters or fly-by-night operators whose charges, of course, run to 50, 80, or 100 per cent or more."

Douglas believes that without an expression of an annual rate, there is no way for the consumer to compare charge dollar amounts or monthly payments, as between one credit granter and another. Actual charges and costs must be compared before the consumer can adequately judge which company's plan he would prefer to deal with.

The Senator feels that the expression of standard annual interest charges would be a natural stimulus to greater competition between and among sellers for not only the article, but also for the credit, which in many cases is a large part of the total cost. "The consumer has a right to the truth. The most efficient and honest businessmen would benefit from the bill," concluded Douglas, and he requested that Anderson have the telegram read before the annual conference of the National Retail Credit Association in Chicago. The wire was read at the Thursday morning general session of the Convention.

Another Senator from Illinois, Senate Minority floor leader Everett M. Dirksen, responded to an Anderson wire with a letter in which he highly criticized Douglas's proposals. Dirksen claims that the bill would curtail, not increase, the consumer's information regarding credit costs. "Curtailment of information would occur because those few merchants who now practice deception would have greater incentive than ever before to disguise credit charges in the base price of merchandise." Dirksen, leading Republican in the Senate, gave as an example a case whereby a store which specified an annual rate of 18 per cent for revolving credit would lead uninformed consumers to gravitate toward the fringe who "smuggle credit charges into the price of merchandise and proclaim deceptively low rates for time purchases. This would exert pressure on all merchants to follow suit in self-defense, and bury part of the credit charge, thus lowering the rate." The only way to prevent an increase in confusion, asserted Dirksen, would be through the passage of a companion price-control bill—"an alternative which is wholly incompatible with a free enterprise economy."

A further difficulty encountered would be that of giving information on the "simple annual interest," Dirksen claimed. The letter went on: "To give you some indication of the difficulties and in fact the impossible task in giving this information, the American Bankers Association submitted the following elementary question to the Departments of Mathematics of three California universities:

> What is the effective rate of interest charged on a loan of $1,000, when a total of $1,060 is repaid in twelve equal monthly payments?

Seven different answers were returned to the bankers by the three universities. This was because there are "three different acceptable formulae for figuring 'simple annual interest.' Two of the Mathematical Departments used all three methods. Despite this, the answers from the two universities differed on each formula."

The bill has caused furious debate on both the Senate floor and hearings of the Banking and Currency Committee. This committee, of which Douglas is a member, has heard testimony for and against the bill from leading businessmen, industrialists, and labor officials. It has caused such controversy that it is unlikely that it will pass both House and Senate in its present form.

Revolving Check Credit and Charge Account Financing

CYRIL J. JEDLICKA
Senior Vice President
City National Bank & Trust Company of Kansas City
Kansas City, Missouri

COMMERCIAL BANKS in the nation are successfully merchandising their products, money and services, on a scale few in the industry had thought could be feasibly profitable a decade or two ago. With electronic equipment now available to quickly process a mountain of paper work and an acceptance of the fact proven by advertising experts that the biggest market is in the masses—commercial banks now run a shop far different from their 1940 models.

The original personal loan plan for extending credit to wage earners, coupled with an arrangement for repayment in instalments conveniently scheduled to meet the paydays of the worker has been so effectively developed over the last 50 years that today it has become an integral part of all commercial bank lending practices. Even commercial bank term loans for business purposes have borrowed from the personal loan textbooks.

So—banks today are lending money—in record amounts to a record number of consumers and families using both the conventional tried and proven instalment loan plans as well as many new plans and variations designed to meet the changing needs of our borrowing consumer public. It is apparent to all students of consumer lending that the United States is presently having a leisure products boom. Our American consumer with his present high income and plenty of leisure time to enjoy this income is diverting a larger percentage of his spendable income to pleasure, education and all types of personal services. Such industries as boating, bowling, vacations, air conditioning, swimming pools and home improvements are booming. Many of our banks now offer such plans as Bank Charge Account Financing, Revolving Check Credit Plans, Educational Plans, Inplant or employee loans and deposit plans and others, which have been developed to meet this challenge of the changing needs of our customers.

People do not buy things; they buy what things will do for them—they buy enjoyment, fulfillment, satisfaction, solutions, performance, advantages, benefits. They do not buy a product, they buy the result.

Credit cards too have captured the imagination of the man in the street as the various agencies such as Diner's Club, American Express and the hotel chains all compete vigorously for the consumer dollar.

I do not wish to sell you any of these new banking plans. That is a decision for you and your bank management to make. Some of you already have made that decision. Rather I wish to explain two of these new services to you and to give you a report on the results to date and on the constant changes being made. It is interesting to note that we, as bankers, are using our imagination—our skills to provide new services—that we are flexible enough to change our procedures in line with changing consumer needs.

These new plans are not for every bank. Profits are contingent

on a fairly sizable volume. To some degree they are an experiment and it will take years of experience before all the basic factors and policies have been proven. Certainly there is a need for these services in the larger centers. Eventually the consumer—the man on the street—will determine the future of these new lending techniques. In the meantime, many hundreds of bankers are studying the plans to see if they and their banks should be interested in offering them to their public.

Getting Into the Act

A year ago, the leading candidate as the hottest trend in commercial banking was the rush by banks to get into the act by starting either a revolving check credit plan or a bank charge account plan, or both. It had the appearance of a small revolution in banking. Today, the "rush" has slowed to a sedate "walk" and the "revolution" looks more like "evolution", as bankers take a hard second look at the results—including the profit picture.

Last spring, some observers were predicting that upwards of 5,000 banks would be offering some form of check-credit or charge account plan by the end of 1959. The actual figures today are probably well short of 1,000.

Why the big slow-down? Probably the leading reason is simply tight money. Many bankers are asking themselves why they should experiment with a new gimmick when they do not have sufficient funds available to take care of the loan demand through traditional credit programs. The obvious reaction is to put it off.

Does this also mean that there is general banker dissatisfaction with plans already in operation? The answer is no in most cases, but critical comment is increasing and there's more debate over the matter of profitability. The reports on profits are mixed, however, and it would not be accurate to label them as disappointing.

Some bankers obviously believe 1960 will be a year of decision on credit gimmicks. With enthusiasm tapering off, the obstacles blocking further major expansion seem quite formidable. Of course, just as has happened in the past year, conditions could shift again and the rush to get on the bandwagon might be resumed.

For the present, the big obstacle seems to be tight money. A good many bankers believe that the present administration commitment to a policy of credit restraint as an anti-inflation move provides an effective barrier. They argue that continued heavy promotion of "instant money" and "credit whenever you need it", the basic advertising themes of revolving check credit and charge account plans, could bring demands for unwanted government regulation.

As a consequence of such thinking, advertising of the already active plans has dropped off or has taken a new softer approach. The tone of the message today is typified by the Bankers Trust Company of New York ads which caution "think before you borrow" instead of offering customers a chance to "borrow simply by writing a check". Similarly, Chase Manhattan Bank of New York now counsels its customers on the charge account or credit card plan to "buy within your means".

Profitability Question

The question of profitability is also tied in with the tight money problem. Both check credit and charge account plans are essentially volume operations, although check credit has been used successfully on a much smaller scale than the charge account system. With money scarce, volume is not easy to build. Banks are getting good returns and making record earnings from their traditional lending programs. Therefore, results must be exceptionally good from the new plans or they suffer by comparison.

It is fairly obvious that, with some exceptions, profits have not materialized as rapidly as many expected. In some cases they have barely materialized at all. An example is the one percent earned in 1959 by Franklin National of Long Island City, New York, on a volume of $4.3 million in credit card charge business. However, the bank is sticking with its plan, hoping to bring it along to a more profitable basis.

Chase Manhattan Bank reported that it ended 1959 in the red on its charge account plan, but hopes to make money this year. The Chase plan, incidentally, is second only in size to that of the Bank of America of San Francisco, where the profit picture also is reported less than satisfactory. It was the entry of these two major institutions into charge account banking that gave the program its biggest boost among the banking fraternity. But the fact that these banks, with their tremendous facilities, prestige and potential volume, are experiencing difficulties is reason enough for caution in the minds of many bankers.

To keep the subject in proper perspective, it should be pointed out that both revolving check-credit and charge account plans are better adapted to the larger banks than to country banks. At the same time, it is also well to keep in mind that publicity sometimes blows up a subject out of proportion to its actual importance to the banking business. This could well be true in the case at hand. Based on cold facts, these credit gimmicks represent only a small segment of bank credit today. For instance, a recent survey by the ABA showed that revolving check credit plans represent less than two per cent of instalment credit outstanding in commercial banks and charge account plans less than one half of one per cent. When we stop to consider that instalment credit in all its forms is in the neighborhood of ten per cent of total bank credit, it becomes obvious that the whole subject of these two new plans has been grossly exaggerated.

The comparatively new Revolving Credit Plans now being offered

by various banks across our Country represent a new and interesting approach to the problem of the borrower who needs small, sometimes large, amounts of money from time to time. It is a new conception of personal borrowing. Upon application to the bank a revolving line of credit with a pre-arranged credit limit is established for the customer which is available in whole or in part any time they wish to write a specially prepared check against the credit. It resembles a bank letter of credit where the customer can draw money at any time by merely writing a check.

Under this plan 24 hours a day credit is available whenever you wish, wherever you are, for any worthwhile purpose without the necessity of coming to the bank to make necessary arrangements. Only one application is needed—the one at the time the line of credit is requested. Its use is designed principally for the payment of major household expenditure and items outside the normal living or operating budget which could then be paid off in monthly payments. This would include such items as medical or dental bills, school tuition or fuel bills, taxes, insurance, home repairs, vacation travel and other similar expenditures.

Varied Names

It is interesting to note the many varied names used in offering the plan. Some of the more common ones used are First Check-Credit, Check Loan, Ready Money, Instant Money-Manu-Matic and many others. Our Bank, The City National Bank in Kansas City first offered the plan locally in June 1955. We wanted a descriptive name for our plan and we adopted and copyrighted the name of "Borrow-By-Check".

The operation of the plan is very simple and easy. We announced our plan in June 1955 in the local newspaper and with direct mail asking those interested to return a coupon for information and forms. Those who returned the coupon were sent an application form similar to our instalment loan application. When the credit was approved, the customer was furnished a supply of ten special personalized checks which became a loan when issued by them and paid by the bank. These checks can be used anywhere, anytime and for any purpose. Until a check is paid and a loan balance is outstanding, there is no charge of any kind. Once a loan balance has been established by use of one of the checks, the customer is required under our plan to make monthly payments of 1/20th of the amount of credit in use. Each payment reduces his loan balance, it builds up by the same amount the balance of credit available to him, upon which he is free to draw again. Thus a revolving loan account is created and credit extended to the customer on a regular basis without further investigation or paper work. This is one of the keys to a profitable operation. Unless the customer abuses his credit or wants his line increased, there is no need for him to come to the bank when he needs additional money. In most cases all contacts are handled by mail.

Most of the original check credit plans required payments of one-twelfth of the amount of the line of credit rather than one-twelfth of the amount of credit actually in use. Thus a borrower with a $1200.00 line of credit who used only $100.00 of this line was required to pay the entire amount back in one month. To give more flexibility to the plan, most banks now offer payment plans of up to 20-24 and even 36 months and nearly all of them relate the payment to the amount owing rather than the amount of the line. The size of the lines vary from about $1000.00 maximum line in some banks to as high as $5000.00 in others.

The credit information is verified usually through the local credit bureau. The qualifications for credit approval are basically the same as on instalment unsecured credit but since this is a continuing line of credit for a period of years, we are careful to see that the credit record and occupation indicates a stable and reliable credit risk. In the lower income brackets the amount of the line of credit is usually approximately equal to one months' salary or income. In the medium and higher income brackets where the individual has a larger discretionary disposable income, we will freely grant larger lines up to two or three or even more months' salary.

Check Plan Appeal

Although the revolving check credit plan appeals strongly to people of all ages, it probably appeals most to married, salaried workers—on the way up, raising families, buying homes, educating children, and acquiring personal property—as well as to professional people, salesmen, and others with fluctuating incomes. As a group, these people have a continually recurring need for credit; and this service provides the most convenient, economical, and dignified way to obtain it.

Consider the financial problem of the salaried family head. He must meet an annual round of expense peaks that are hardly ever geared to his weekly or monthly income, although they may in the aggregate

be well within his annual income. He may be faced with quarterly or annual additional income tax payments; with periodic life, fire and liability insurance problems, tuition payments, vacation expenses, house painting and repairs; even fuel bills, clothing and furniture expenditures, not to mention medical and other emergencies. Check credit is the one best answer, for it enables a man to meet his peak obligations in cash as they arise, and pay off in a sensible series of level monthly payments geared to his income.

Cost of Plan

We feel that the cost of this plan to our customer is very fair and very small. No charge at all is made for opening the account and no charge is made until the account is used by writing one of the checks against the account. Then interest is charged at the rate of one per cent per month on the outstanding balance on the billing date, plus a service charge of 25 cents per check issued and paid. Ten days before the due date selected by the customer, the bank mails a statement similar in form to those used by department stores. The statement shows the details of the account, payments made and checks paid and including the maximum available and the amount and due date of the current payment. All cancelled checks are returned with the monthly statement.

The rate of interest charged on this plan varies in some states due to the maximum charges permitted under the usury laws. For instance, in Texas the maximum legal charge is 5/6 of one per cent (10 per cent simple interest) and a check charge is not permitted. In some states, it will be necessary to have passed enabling legislation to give these plans and their rates, etc., the proper legal acceptance.

Some plans include credit life insurance while others do not.

Larger payments or the entire balance may be paid at any time. The monthly payments reduce the balance due and correspondingly increase the amount of the credit available again. The account need not be paid in full before it is used again and may continue indefinitely provided the monthly payments are paid when due and the maximum credit line is not exceeded.

At the time the account is opened, a continuing form of note or loan agreement is signed as well as a signature card for our files. We normally require both signatures on credit lines extended to married couples but exceptions to this are made where desirable. In practically all cases these lines of credit are unsecured although here too exceptions are occasionally made. In a few cases, parents have signed as co-signers for children who are attending college. Normally, however, we do not try to strengthen weak credit risks by using co-signers or other collateral.

Punch Accounting

Many of the plans are set up on IBM or Punch Accounting. In our case, all records are set up on addressograph plates with each plate showing name, address and city as well as the due date, account number, maximum approved credit line and minimum monthly payment. All accounts are divided into six cycles, 2nd, 7th, 12th, 17th, 22nd, and 27th, based on the payment dates specified by the customer. Monthly mailing dates are set up for each cycle and statements are mailed to all accounts on these specified dates. Actual mailing dates will vary slightly to compensate for week ends and holidays. Each cycle control is posted 10 days ahead of the due date on an Underwood cycle poster and statements mailed to those customers at that time. As a part of the bookkeeping, the individual ledgers of each customer are posted with a summary of the activity for the month and the entire control proved and balanced. These ledgers are printed and spaced so that we have two years experience on each side, making a total of four years record on each ledger.

Within each of the six cycles, accounts are filed alphabetically from A - Z. Each account consists of a pocket formed by History ledger in back and the signature card in front. Each day the new checks written by these customers are sorted to this department, separated into the six controls, totaled, microfilmed, sight-posted to the individual accounts and the check placed in the proper pocket. Payment slips are similarly processed and filed.

The totals of each day's entries are posted to the six controls. In sight-posting the new checks, signatures are compared as well as seeing that the new advance will not over-pay the account.

In case the customer has written a check that will cause his balance to exceed his credit line, the check will be returned with the explanation "refer to maker". This happens very rarely and usually we can contact the customer and get the matter adjusted without the necessity of returning the item. We also have adopted the policy of paying over small amounts if they do not cause the balance to run more than 10 per cent over the maximum of the line. In all these cases we call the customer and warn him to stay within his line in the future. If this customer has a personal checking account with our Bank, the monthly payment may be made by an authorized deduction from his account at his request.

Diebold File Desk

Our files are housed in a "one hour Class C Label" Diebold Insulated Cycle file desk. This is a very sturdy fireproof file, convenient in operation and with space for approximately 10,000 accounts.

One problem and a frequent criticism made of this credit plan is the fact that anywhere from 30 per cent to 60 per cent of these customers use the major part of their line of credit continuously. They pay each month but each month also use more credit.

(Continued in August Issue)

New Diebold Super-Elevator Files Increase Credit Bureau Efficiency

JACK E. MANNON
Credit Bureau of Lima
Lima, Ohio

LITTLE MORE than a year ago it took an "oral operator" in the Credit Bureau of Lima two or three minutes to locate a card for each and every credit check inquiry received. Today, the same card may be located in as little as four seconds. We estimate that we have realized approximately 25 per cent greater output by the oral operators, a 40 per cent saving in filing time and made important efficiency gains in other areas since installation of Diebold Super Elevator Files in April, 1959.

Five years prior to the Diebold installation, we had conducted an extensive analysis of our filing methods and procedures with an eye to reducing filing time and speeding responses to inquiries. We investigated many types of filing equipment during that period, but finally decided that Diebold Super Elevator Files would enable us to achieve our objectives most readily.

The best way of illustrating how Diebold files, coupled with some innovations devised by our office, have markedly improved the efficiency of the Credit Bureau of Lima would be to describe the procedures we followed prior to the changes and then compare them step-by-step with present procedures.

Under the former system, in which upright, seven-drawer card filing cases mounted on a raised platform were used, here was our procedure after a call was received by the oral operator: The operator asked the person calling to give the store's code number, their name, the name of the credit applicant, the wife's name, their address, age, number of dependents and other antecedent information, along with their employer and references.

Credit bureau personnel familiar with the above know the answers are given in rapid-fire order, but the sheer number of items took considerable time to record. Here, as in many Credit Bureaus, no move was made to locate the credit record of the person involved until all this information was recorded.

Then the operator would say, "Just a minute," leave her desk, walk across the room to the bank of upright filing cabinets and pull the appropriate card. Often, with a number of different girls working at the files for varying purposes, the operator would be stalled for several moments until another operator or file clerk got away from the particular file cabinet in which the applicant's card was filed.

Once the card was located, the operator would return to her desk, give the information available on the card, then lay it aside and be ready for the next call—and a repetition of the whole procedure. Refiling was usually put off until much later in the day, when more time was available. This delay in refiling cards also resulted in further delays for some other operator receiving an inquiry on the same applicant from another store.

Under the former system, the Credit Bureau of Lima employed as many as 12 persons just to answer calls and work the files. Now we use nine persons to handle the same and more work than before. We have also had a saving in time or spare time for these nine which we utilized to improve our accuracy and the speed with which we serve those calling for reports.

Under our present system, using the Diebold Super Elevator Files and the innovations mentioned above, our procedure from the time a call is received is as follows: The operator taking the call asks for the store's code number, the name of the applicant, his wife's name and their address. She then tears off a carbon copy of the information recorded thus far and this out card, which already contains the oral operator's number and the date, is passed to the clerk operating the Diebold files.

The oral operator then proceeds to get the remainder of the information outlined above in the description of the former system. By the time she has completed the worksheet, the Diebold file clerk

has given her the applicant's file and she can start giving the information to the caller.

As soon as the oral operator has finished using the card, it is returned to the file clerk and restored to its place in the file. During the entire transaction, neither the oral operator nor the file clerk has left her chair! The savings in time for our oral operators is not the only time-saving element of the new files, however.

Under the old system, daily recording of information from the courts, police dockets, newspaper stories and other sources that required typing, required that our filing clerks go to the upright files, withdraw the cards on which information was to be recorded, return to their desks, record the information, then walk back across the room and refile the cards.

The same procedure is followed now, but with some important differences. For one thing, the file clerks are seated directly alongside the Diebold Super Elevator Files and never have to leave their chairs to get a card, record the information and return it to the file.

Our file clerks formerly required virtually a day to complete the task of recording information. They now frequently complete the recording of information by noon—while giving much more assistance to the oral operators than they did formerly.

As mentioned above, we have utilized several innovations of our own to increase efficiency in the office—but which would have been useless without the Diebold Super Elevator Files. One involves the distance from the oral operator's position in front of her desk to the file clerk's position behind one of the Super Elevator Files. In order to bridge that gap, which measures slightly more than five feet, we devised a hinged arm some 28½ inches long and equipped with a small metal "pocket" on the outer end large enough to hold the items to be transferred between the oral operator and the file clerk.

When the oral operator has obtained the information which she wishes to transfer to the file clerk, she merely drops the outcard in the metal pocket, flips the arm around to within easy reach of the file clerk. The file clerk, in turn, places the desired file in the pocket—inserting the outcard in its place in the files—and flips the arm back to the oral operator. Later, when the file is returned, the outcard is used to locate the exact spot in which the file is to be replaced.

The second innovation was designed, at our request, by a local architect. It consists of a pair of permanent "rails" on which the file clerks' chair and typewriter tables can be rolled straight in either direction. The legs of the typewriter chairs used for this purpose were sawed off and then welded to a sheet of metal which serves as a convenient "floor" for the slightly elevated clerk's feet. It also serves to weight the chair down so it does not "jump the track" when moved.

The typewriter tables are built on the upper ends of two curved sections of pipe which extend to and are welded to the metal sheet under the chair. In this manner, whenever the chair is moved, the desk and typewriter moves with it. The typewriter is always ready for use, regardless of whether the file clerk is working on the fifth shared Super Elevator File or on the two which she cares for alone. This rail arrangement, in fact, was worked out so the girls could efficiently share the middle file. The tracks for this office "railroad" are merely angle irons with the sharp edges turned upward.

We believe the installation of the Diebold Super Elevator Files—which also saved us some valuable

• The picture on the left shows Mr. Mannon telling Merideth Glaze how to utilize indexed Diebold Super Elevator Files to locate applicant's file and to place "outcard" in them as a ready notice that a file has been removed from that point. On the right, Miss Glaze checks record she has pulled against information on "outcard" to make sure it is in correct file. Note "office railroad" used to enable her to move back and forth along side the Diebold Files with her chair and typewriter.

floor space was the best possible move from the standpoints of efficiency and improvement of service to our customers.

Before the changeover, there were 350,000 cards in our files. Some 50,000 in the "unused in 10 years" category, were removed. With more than 250,000 cards on file now and with a normal gain of about 10,000 more a year, it is obvious what a 40 per cent saving in filing time, a 25 per cent greater output by oral operators and increased overall efficiency means to our operation.

Since the new system was installed, we have also recorded an 11 per cent increase in inquiries. Many improvements have been made in other phases of Credit Bureau operations, but the heart of our operations—our files and filing equipment—have remained virtually unchanged. Any Credit Bureau which analyzes its filing procedures as we did will come to the same conclusion: That the files represent *the* critical phase of the operation; that no service can be better than the filing speed, accuracy and efficiency and that improvements in the old filing systems are essential to keep pace with modern credit methods.

In the case of the Credit Bureau of Lima, these improvements have been effected through the installation of Diebold Super Elevator Files. And we know it is an improvement because frequently an oral operator calling from another city where methods similar to our former system still are in use, comments, "My, you surely got that information for me quickly."

That comment, to us, is the highest form of praise because the person making it knows and recognizes that there is some distinct kind of difference between the office in which she works and the office which she is calling—namely, the office of the Credit Bureau of Lima. The difference, in vast measure, is due to our new filing system and the Diebold Super Elevator Files which made it possible.

Communications Feedback . . .

Sir:

National has, in my opinion, a real jewel both as a lecturer and a public relations man in the person of "Dutch" Womack. His course was scheduled in Boston on March 1 and 3, with a registration of 125. The first lecture went well, but the worst storm on record resulted in only 30 or 40 managing to get to the second session. "Dutch" returned at a later date and again offered the second night's work to those who had missed it. To us here in Boston, we feel such actions are most praiseworthy and should not go unnoticed.

Alexander Harding, President
Retail Credit Association
of Greater Boston
Boston, Massachusetts

Sir:

Here's our contribution to "Project P-U-S-H" . . . 10 members for National Retail Credit Association. This is a fine example of what can be accomplished with everyone working together.

G. Winthrop Wells, Manager
Credit Bureau of Rockland County
Nyack, New York

Sir:

Thank you for your prompt handling of my insurance claim for my husband. My sincere thanks to NRCA for promoting the Group Life Insurance Program. It may be of interest to your office to know that my husband and the credit bureau had been a member of NRCA for over 25 years.

Cecilia M. Nestor
Credit Bureau of Frederick
Frederick, Maryland

Sir:

Just a line to tell you that I thoroughly enjoyed the Chicago Conference. Thank you for encouraging me to come. I am certainly happy I followed your advice, as it was well worth the time involved.

Joe Jacobs, Credit Supervisor
The Boston Store
Columbus, Ohio

Sir:

I would certainly be remiss if I did not write to thank you for the excellent reference material so kindly provided. From comments made, the talk was very well received.

L. E. Eadie, Manager
Bank of Montreal
Markham, Ontario

Sir:

Congratulations on a most interesting and profitable May issue of The Credit World. Just full of ideas. It is the tops in our profession.

Charles F. Sheldon, Manager
Philadelphia Credit Bureau
Philadelphia, Pennsylvania

Sir:

We will assist with the expenses of five members who can interest and obtain a definite commitment from their firms to attend the ICCC in Chicago.

J. E. Herage, President
Credit Granters Association
of Windsor
Windsor, Ontario, Canada

Sir:

On behalf of the Credit Granters Association of Clarksburg, please accept our sincere thanks and gratitude for your visit with us on May 13. Many laudable comments have been made concerning this meeting and I am sure that your visit will be a continuing benefit in the progress of our Association.

Kenneth R. Hardesty
Credit Granters Association
of Clarksburg
Clarksburg, West Virginia

Sir:

I was anxiously awaiting the publication of a feature article by Arthur F. White, one of my employees, as appeared in the May 1960 issue of the *Credit World*. You can imagine my disappointment and, in fact, embarrassment, to observe that the article is credited to a correspondent of the "St. Clair" Refining Company.

R. C. Barth
Sinclair Refining Company
Atlanta, Georgia

Reader Barth caught us! It should have read "Sinclair Refining Company." Ed.

Sir:

Thank you for the NRCA membership package. I'm delighted that our membership is in order. By the way, your $5.00 dues rate must be the best buy going!

Harry Walker, Executive Secretary
West Virginia Consumer Finance
Association
Charleston, West Virginia

Sir:

Just a note to congratulate you on the articles and the improvement we have noticed in the last Credit World. The articles have been excellent and have been of much help to us. I wanted you to know how we felt.

Dudley E. Johnson, Credit Manager
Dewees
Philadelphia, Pennsylvania

Sir:

Enclosed you will find the booklet and charts you were kind enough to send me. The delay in returning them was caused by a request to keep all sources of information until the semester end. I received a fine grade, thanks to your aid.

G. L. Pickett, Student
University of Nebraska
Lincoln, Nebraska

Sir:

Your booklet "Retail Collection Procedure and Effective Collection Letters" has repaid us a hundred-fold and is still paying off. Thanks so much.

Bob Vranich, Inc.
Alexandria, Virginia

Laws Affecting Credit Granting and Collections

JOHN F. CLAGETT

Washington Counsel, National Retail Credit Association
Washington, D. C.

NORMALLY when credit people speak of laws that concern credit extension and collections they think in terms of their local state laws that apply in the chain of actions from the time the consumer applies for credit until he makes his last payment on account. When that occurs the credit granter and the consumer have completed this interesting credit cycle together. Many facets of law, varying considerably from state to state, have governed the rights and duties of each to the other. This body of law of course is always growing, either by statute or court decision, to meet new or changed conditions. It is fully capable of meeting any demands or needs of the commercial community.

The mere size and rapid growth of consumer credit (from \$5.7 billion in 1945 to \$52 billion today—and still growing) has undoubtedly created new problems or emphasized old ones. There are those who now assert that Federal regulation is needed in two areas. First, there is the Bush bill, S.63, designed to control volume of consumer credit, like Regulation W, which fixed minimum down-payments and maximum maturities. Second, there is the Douglas bill, S.2755, concerning disclosure of the finance charge, both in dollars and cents and as a simple annual interest rate.

I will dispose briefly of the matter of volume control so as to concentrate on the finance charges disclosure bill.

Regulation W as you will recall had its first use in World War II. It was designed primarily to relieve pressure on consumer goods which, due to allocation of materials, were in short supply. Volume of consumer credit outstanding at this time was comparatively small.

Regulation W had its first and only use purely as an economic or stabilization measure during the short period from August 1948 to June 1949 when inflationary pressures were said to be rising excessively. It was again applied as an emergency or war-time measure during the Korean War.

Since Korea, however, the question of controls on consumer credit has been before Congress almost continuously in the form of proposed legislation, including the Bush bill, S.63, pending at this time. In 1953, in fact, so-called "stand-by" authority was recommended by the Senate Banking and Currency Committee, but it got no further.

Today the demand for controls legislation is much abated due to the relatively stable price level and absence of inflationary pressure. What about the future? Even if the volume of consumer credit continues to grow, which appears entirely likely, it also appears that the present stable ratio of credit extension as a per cent of disposable personal income—about ten percent—will be maintained. Therefore, in the absence of increased inflationary pressures, inducement for volume controls on consumer credit should be eliminated for the near or forseeable future. The greatest danger in this area would seem to come from government spending and/or red ink in the budget. However, should a disclosure bill like the Douglas measure be passed, establishing a precedent of Federal regulation in the consumer credit field, I am afraid that the possibility of controls legislation might be greatly increased.

Now turning to the Douglas bill, it might be well, first, to clear up one thing that the bill *is not*. Although its stated purpose is "to assist in the promotion of economic stabilization," no showing was made in the recent hearings that the passage of the bill would aid in promoting economic stabilization. Doubtless the description of the bill as a measure to promote economic stabilization was designed to steer it to the "Subcommittee on Production and Stabilization" of which Senator Douglas, author of the bill, is chairman. Thus he could expedite hearings on the bill. It was introduced January 7, 1960; hearings were announced almost at once and they included eight sessions between March 23rd and May 6th. The printed record embraces 1,000 pages of testimony and exhibits.

When the hearings got under way Senator Douglas in all frankness stated that the purpose of the bill was to require disclosure of the cost of credit to the consumer. Furthermore, he reiterated over and over that the heart of the measure is the requirement that the finance charge on the unpaid or declining balance be also stated in terms of simple annual interest.

First, no one denied that full disclosure of the finance charge is *not* desirable. In fact, the hearings showed that much progress has been made by a number of States in this regard in the past three years. A number of agencies and departments of the Federal Government stated their agreement with this objective of full disclosure. They did not, however, discuss the ques-

tion—called the heart of the bill—whether it is desirable or feasible to attempt to translate the finance charge from dollars and cents into a simple annual interest rate. It seems to me that by their silence in this regard they have implied opposition or non-agreement at least to this feature of the bill.

The Department of Justice stated that since "the requirements set forth in the bill are not limited to transactions in interstate commerce," it would be necessary to show that "absence of disclosure" with respect to *intra*-state transactions "constitutes a burden upon interstate commerce." No such showing was made or attempted to be made.

With this preliminary look at the bill, we may ask: What are the specific conditions or reasons which it is claimed show a need for such disclosure? It must be admitted, I believe, that proponents of the bill have shown a need for better disclosure in some areas of consumer credit extension. The many examples of actual documented cases presented at the hearings have indicated that insurance and other charges such as "kick-backs" sometimes paid by finance companies to automobile dealers have not always been disclosed; that finance charges sometimes have amounted to 33 per cent to over 100 per cent of the unpaid balance figures on an annual basis.

The witnesses who gave this testimony, for the most part, were representatives of better business bureaus, legal aid societies, consumers' organizations, farmers' cooperatives, women's organizations, social workers, labor unions and credit unions, and in one instance the president of a national chain of retail outlets which sell only for cash. In several instances testimony seemed to go rather far out on a limb, for example, that high or undisclosed cost of credit has been a cause of desertion, divorce, suicide or bankruptcy.

But what is the extent of abuses referred to above? This would seem to be a crucial question in regard to legislation at the Federal level. This must be answered. However, as a matter of fact, this important question has been left wholly unanswered. The representative of the "Committee for Fair Trade Practices in Illinois," speaking for the bill, may have come close to a correct answer when he described the situation as "nefarious methods in the hands of fringe operators." We are left in the dark of course as to how large or how extensive such "fringe" elements might be.

In any event, the question of full disclosure—in dollars and cents of course—of each element going into the credit sale or loan transaction, and the finance charge, to whatever extent it may need strengthening, should be met squarely and forthrightly. That, in fact, is just what opponents of the bill have called for; and this is precisely what they have shown is taking place in the various states in steps to solve the problem created by these "fringe operators." In this regard let us take a look at the record:

The representative of the American Bankers Association testified that as early as 1941 bankers had adopted a "Creed" which "might well be regarded as the Magna Charta of all bank instalment-credit activities." Later, "Standards of Practice" were formulated and issued, a portion of which said:

". . . a complete statement of the transaction should be provided purchaser to include cash price, down-payment, unpaid balance, insurance cost, principal balance, finance charge, time balance, and the number, amount, and due date of each payment."

That, it seems to me, is full disclosure. The National Association of Supervisors of State Banks stated:

". . . the protection of consumers through adequate disclosure of the cost of credit has received intensive consideration by the States in recent years. Over half of the 30 States which presently have legislation on consumer instalment sales enacted such legislation within the past 3 years. During 1959 over 1,000 bills dealing with instalment selling were introduced in State legislatures. A number of other States which do not have such legislation are conducting investigations preparatory to developing a statutory pattern."

The most authoritative and experienced body in the field of commercial law, the National Conference of Commissioners on Uniform State Laws, stated that a proposal similar to the Douglas bill had once been submitted to the "Council of State Governments," but was rejected as unworkable; that the National Conference is now working on a model retail instalment sales act; further, that "a requirement for the translation of credit service or finance charges into terms of simple annual interest on unpaid principal balances is unworkable."

Simple Annual Interest Problem

That the "simple anual interest" problem is not so simple is shown by the following question which was submitted to three California universities: "What is the effective rate of interest charged on a loan of $1,000 when a total of $1,060 is repaid in 12 equal monthly payments?" Seven different answers were received covering a spread of from 11.5 percent to 12.45 percent. It required five pages of mathematical equations to arrive at these results (pages 698 to 702 of the printed hearings).

The U. S. Department of Commerce made the following analysis, indicating a different type of "interest" problem:

"To calculate and express the total cost of credit (the finance charges) in terms of simple annual interest would imply that all the items included in the total were derived as a percentage of the outstanding balance. Interest cost, the major element in credit service costs is so derived, and is properly expressed in terms of annual interest rate. Other costs included, however, do not vary directly with the size of the loan, and are not properly expressed as a percentage. Thus, the persons who may need and would benefit by the required disclosure, instead of being clearly informed, would tend to be confused and even misled."

Several references to great numbers of bankruptcies in Chicago—over 10,000 per year—attributed to high and/or undisclosed finance charges, justify a closer look at this subject. We know of course from official figures that in the Northern District of Illinois (which may be treated as the Chicago area) there were 10,264 business and non-business bankruptcies in fiscal 1959. Applying to that figure the national average (only

data available) for non-business bankruptcies only—which is 88 per cent of all bankruptcies—we find that Chicago had approximately 9,032 non-business, or so-called family or personal bankruptcies for the year indicated.

But if we look a little further we find that the entire State of Maryland, including industrial Baltimore, had only 139 non-business bankruptcies; New York City had only 731; the entire State of Pennsylvania, including the industrial areas of Philadelphia and Pittsburgh, had only 640 personal bankruptcies; and that North and South Carolina, combined, had only 124 such bankruptcies.

And so it goes—a few areas (in fact, only four—Chicago, Birmingham, Ohio and California) with very high bankruptcies, but many times more comparable areas whose record of bankruptcies is surprisingly low, almost negligible. It appears, therefore, to say the least, that a detailed study of bankruptcy figures will have to be made before any significant relationship between the cost of credit and personal or family bankruptcies can be considered as established, as alleged.

Senator Bush of Connecticut, one of the members of the Subcommittee on Stabilization, announced on the Senate floor on May 24 that, although he was one of the original sponsors of the bill, he was withdrawing his support until representatives of some 34 states which have some form of disclosure legislation had had the opportunity to testify "as to how these disclosure laws are working and how they have been enforced."

Disclosure Legislation Not Needed

It seems to me I cannot emphasize too strongly, first, that the simple annual interest proposal is unworkable, and, second, to the extent that disclosure legislation may be needed, it is clearly a matter for State action.

Recently Senator Bennett (R. Utah), also a member of the Subcommittee on Stabilization, in an address to the Consumer Finance Association of New York, N. Y., placed major emphasis on these same two principal points against legislation of this kind at the Federal level. He said:

"This one provision alone, requiring the statement of a simple annual rate is sufficient grounds for rejecting the bill. It would place an impossible burden on American businesses and government enforcement agencies. There are other objections. This bill is another example of an attempt to turn over to the Federal government that which the States can handle themselves. For example, all States have laws covering the loaning activities of banks. In addition, 42 States have laws requiring the disclosure of credit charges on small loans; 31 States regulate automobile instalment sales; and 18 States cover instalment sales of other types of goods as well as automobiles. And in the new area of revolving charge accounts, 7 States have already passed laws, while such legislation is under active study in a number of other States, thus indicating the State governments are alert to the needs in this area and are going ahead with adequate legislation.

"But the trends are even more important. It is significant that most State laws have been enacted in recent years. In other words, the current trend is for more and more States to meet the problem, thus making a Federal law unnecessary."

As noted, Senator Bush asked for information as to how the State laws were working and how they have been enforced. The recent hearings made no attempt whatsoever to develop information on this point, except that the Chairman of the Federal Reserve Board, Mr. Martin, noted in his testimony that the Federal Reserve System is not qualified to handle the problem.

Senator Bennett in his speech made the following comparison which at least throws some light on the matter:

"We can gain some idea of what will be involved at the Federal level by examining what was required of the OPA. At the height of OPA, fiscal 1946, there were 64,694 persons employed. The budget expenditure for OPA during that year was $175.8 million. Since population has increased 28 per cent since 1946, the same enforcement today would require an army of approximately 82,800 and a budget of $225 million to do the same job."

While the Subcommittee voted four to three to report the bill to the full committee, the element of time alone would appear to eliminate further action one way or another in the present Congress. For the future, however, there very likely will be a second round.

In that event a matter of no inconsiderable significance may be the fact that this very Congress, by Public Law 380, approved September 24, 1959, has created a permanent "Advisory Commission on Intergovernmental Relations" designed to help solve the complex problems of the proper and wise division of functions as between the various levels of government in a Federal system. This Act was passed after years of exhaustive study; the Commission which it created is composed of 26 leading experts on governmental problems at all levels—three United States Senators, three Congressmen, four governors, four majors, three citizens, three members of state legislatures, three county officials and three officers of the executive branch of the Federal Government.

The Act states under its "Declaration of Purpose:"

"Because the complexity of modern life intensifies the need in a federal form of government for the fullest cooperation and coordination of activities between the levels of government, and because population growth and scientific developments portend an increasingly complex society in future years, it is essential that an appropriate agency be established to give continuing attention to intergovernmental problems.

"It is intended that the Commission, in the performance of its duties, will—

"(1) bring together representatives of the Federal, State, and local governments for the consideration of common problems;

. . . .

"(6) *recommend, within the framework of the Constitution, the most desirable allocation of governmental functions, responsibilities*, and revenues among the several levels of government;" (emphasis added).

Hence, the Congress appears to have spoken on the matter of the need for knowledgeable and scrupulous care in the allocation, division and separation, *within the Constitution*, of the functions of government as between the States and the Federal and lower levels of government. Too new to function in this 2nd Session of the 86th Congress, the new Commission may, and I hope will, be a favorable influence in any renewal of the struggle over the Douglas, or similar, bill. ★★★

State Legislation

Oregon: A group of Oregon businessmen have organized under the name of Oregonians for Business Freedom with a prime objective "to thwart those seeking legislation that would kill or unduly regulate trading stamps." Secondarily, its purpose is to safeguard all phases of free enterprise on the theory that the door of business when opened to control by government can't be opened just a little without the risk of complete government control. Harold F. Wendel, president, Lipman Wolfe & Co., is chairman of the organization.

Rhode Island: A resolution calling for a study of the impact of foreign imports on the state's economy was passed by the Senate and sent to the House. Under the measure, the study would be undertaken by a seven-member legislative commission. Senator Joseph A. Savage of Newport, sponsor of the bill, said that "textiles, durable goods and other commodities have flooded the American market at cheap prices. Imported goods sold at a price below standard prices in this country have had a serious effect upon employment and have caused consternation in the price structure." The commission will report to the state legislature by February 15, 1961.

Michigan: Acting in the absence of Governor Williams of Michigan, Lieutenant Governor John B. Swainson vetoed a legislative bill that would have ended the authority of most state regulatory agencies to control advertising by the professional or trade groups under their supervision. The measure had been supported by the Michigan Press Association and the Michigan Retailers Association.

In vetoing the bill, Swainson said the legislature had granted these state agencies authority to regulate advertising for the "protection of the public and with the primary concern that professional ethics and conduct be assured."

Alaska: Governor Egan vetoed an Alaska bill to permit savings and loan associations to engage in banking activities. He said that while the measure had been based on a model savings and loan association bill issued by the U. S. Savings and Loan League, it omitted "certain important provisions of the model act which relate to state regulation and supervision." Egan stated that one section of bill would have permitted "organization to engage in banking activities for a period of three years without supervision, regulation or examination."

Banking in Alaska is presently regulated strictly for the protection of depositors, the public and the public interest.

Maryland: Present regulation of the sale of credit insurance was termed "inadequate" by Maryland State Insurance Commissioner F. Douglass Sears in addressing a businessmen's club in Baltimore. He pledged that he would sponsor new regulatory legislation in the 1961 Maryland legislature.

In another development, Governor Tawes directed a 15 member executive commission to chart regulations for the savings and loan business. In making the appointments, the governor fulfilled a promise made when he vetoed a regulatory bill enacted by the 1960 legislature. He said the rejected measure would have discriminated against the innocent and would have failed to curb the irresponsible.

North Carolina: Another reduction in rates for accident and health insurance written in conjunction with small loans was ordered by North Carolina State Insurance Commissioner Charles F. Gold. The current rate of $1.75 per year for each $5.00 unit of monthly benefits was reduced to $1.50 effective June 1, 1960. The reduction was a second ordered by the Commissioner within six months.

New Jersey: Consumer protection bills were given final passage by the New Jersey legislature and sent to the Governor for signature. Senate Bill 199 empowers the state attorney general to clamp down on fraudulent selling and advertising. Senate Bill 201 sets maximum finance charges and otherwise regulates home improvement time sales.

A third bill defines "bait" advertising as a misdemeanor. Such advertising is defined as advertising a product which there is either no intention to sell, or to sell at the price stated. This bill provides a penalty of not more than a year in jail or $1,000 fine, or both.

Still another measure is designed to prevent last minute claims for making or obtaining a mortgage. It provides that any notice of claim in such case shall be made not less than 12 days before the title closing or final settlement.

Ohio: Ohio's "fair trade" law, permitting manufacturers to establish minimum retail prices on their trade-marked products, was declared unconstitutional by Common Pleas Court Judge Frank M. Gusweiler in Cincinnati. The court declared that the present law was even more unconstitutional than a predecessor. The court further stated that the law constituted in effect a price-fixing rather than a protection for goodwill and trade-marked products.

California: A campaign to enlighten California residents as to their new legal rights and safeguards in buying on the instalment plan was launched by State Consumer Counsel Helen Nelson. The new program was announced following a report by Mrs. Nelson to Governor Brown on conferences on credit she held in Los Angeles, San Francisco, Fresno, El Centro, San Diego and Salinas.

Mrs. Nelson urged concerted efforts by all state and local agencies for enforcement of a new law which went into effect in January to establish credit buying safeguards. She also stated that the consumer frauds division of the state attorney general's office was preparing an outline of 18 printed pages of the act in simplified language. The act's provision includes ceilings for interest and service charges, statements about amounts of down payments, total cash prices and other conditions. "This wider public knowledge," Mrs. Nelson said, "will be a major factor in eliminating abuses."

Ohio: Constitutionality of the state's amended law prohibiting Sunday sales of merchandise was upheld by the Ohio Fifth Circuit Court of Appeals. The court's ruling, written by Judge D. Dean McLaughlin, noted that a 1959 amendment makes no major change that could be appli-

FOLLOW 10 DEADLY RULES

You Too Can Crash Coronary Club

TEN RULES for joining the Coronary Club are outlined by Dr. Kenneth C. Price, heart specialist on the staff of Washington University School of Medicine, St. Louis, Missouri. Here they are:

ONE. Go to the office evenings, Saturdays, Sundays and holidays. Personal considerations are secondary.

TWO. Take the briefcase home evenings and weekends. You can review all the troubles and worries at your leisure.

THREE. Never say NO. Accept all invitations to meetings, banquets and committees.

FOUR: If you hold night meetings, be on the job early next morning. This impresses the boss.

FIVE: Don't eat restful, relaxed meals. Always plan a conference for the meal hour, or rush out and grab a quickie.

SIX. Regard fishing, hunting, golf, bowling and gardening as a waste of time and money.

SEVEN. Believe it's a poor policy to take all the vacation allowed. Keep in touch with the office daily.

EIGHT. Never delegate responsibility to others. Carry the entire load at all times.

NINE. If your work calls for traveling, work all day and drive all night to keep the next morning's appointments.

TEN. Above all after your customers have gone to bed, get those orders in the mail to the home office.

In explaining the fat theory, Dr. Price drew analogies from laboratory experiments of rabbits and chickens and also outlined results of "fatistical studies" in Sweden during World War II rationing and afterward.

Since this study, he said, "The Jack Spratt School has developed the concept that certain predisposed individuals handle solid (saturated) fats poorly, just as the diabetic handles sugar poorly." He pointed out that present opinion is that corn oil is the most beneficial of the vegetable oils.

In conclusion, he said, neither the fat nor friction theory should be ignored and spelled out these six rules:

Do not overeat. Reduce to a minimum the solid fats in your diet. Observe a daily routine of relaxation and exercise. Analyze your work routine. Eliminate recurrent aggravations. Reduce outside obligations. Be philosophical . . . "I love to live among threats—they are hazards only because I am alive."

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cable in the case in point. The law it amended earlier had been ruled constitutional by the state's highest court.

Delaware: A bill to control instalment sales was passed by the Delaware House and sent to the State Senate. Drafted by a committee composed of representative of retailers, bankers, legislators, organized labor and the legal aid society, the measure is modeled after a California statute.

Sponsored by Representative Joseph S. Latina of Wilmington, the bill would set limits on the amount of interest that may be charged and on service charges that may be added in connection with instalment sales contracts and revolving charge accounts. It would not apply to automobile financing which is the subject of another bill pending in the legislature. One provision of the bill would provide that if an instalment account is paid off in full before its full term, the consumer would pay interest only for the time that credit was used.

Hawaii: Governor Quinn signed into Hawaii law a bill authorizing state banks to branch out of the state. The measure permits locally chartered banks to branch out into the Pacific Trust Territory where many federal construction projects are under way.

Kentucky: A regulation to impose a ceiling on credit life insurance premium rates in Kentucky was rescinded by State Insurance Commissioner William T. Hockensmith just prior to its scheduled May 15 effective date. The Commissioner's action was taken after he was advised by the state attorney general's office that he lacked statutory authority to put the regulation into effect. Hockensmith said his department would continue to check on credit insurance operations with a view toward asking the Kentucky legislature for legal authority to control the rates.

New Hampshire: A proposal for the enactment of New Hampshire legislation to raise the small loan ceiling from $300 to $1,200 or $1,500 was made by Representative Stuart Hancock of Concord at a hearing conducted by the State Legislative Bank Study Committee.

Maryland: Maryland may have to wait for a U. S. Supreme Court decision before a uniform state law on Sunday sales is enacted was expressed by witnesses testifying at a hearing conducted by the judiciary committee of the State Legislative Council which is considering a uniform state law.

Virginia: A newly revised Virginia Sunday closing law, which is scheduled to go into effect July 3, 1960, appears headed for an immediate challenge in the courts. Originally enacted in 1779, the ancient Virginia blue law was revised by the 1960 state legislature to spell out what can legally be sold on Sunday. The law prohibits all business activity on Sunday except household work and "other works of necessity or charity."

New Jersey: A federal court in a 2-to-1 decision declined to issue a preliminary injunction barring the state of New Jersey from enforcing a Sunday closing law. The court, sitting in Newark, stayed further proceedings in a suit brought by three Orthodox Jews, pending decisions by the U. S. Supreme Court and the State Supreme Court. The action marked the second time the court's majority declined to block enforcement of the law. The law, which is now effective in 12 of New Jersey's 21 counties, prohibits the sale of furniture, appliances, building materials and home and office furnishings on Sunday.

Kentucky: The constitutionality of Kentucky's Sunday closing law was challenged in Quarterly Court in Louisville by attorneys for three stores accused of violations. Judge Arthur C. Coaplen said he would rule June 15 on motions that the charges be dismissed.

People and Events

Positions Wanted

CREDIT MANAGER. Six years' experience, four years' wholesale and five years' finance. Experienced in all phases credit and collections and supervising personnel. Age 39. Will relocate for good starting salary plus potential. Box 6601, The CREDIT WORLD, 375 Jackson Ave., St. Louis 30, Mo.

CREDIT MANAGER urgently needs demanding job, preferably a company that needs its credit department reorganized and delinquency reduced, credit policies and procedures executed. 15 years of background in credit and finance. Will relocate anywhere, travel. Age 34. Box 7602, The CREDIT WORLD, 375 Jackson Ave., St. Louis 30, Mo.

CORPORATE ATTORNEY, credit manager, age 30, desires challenging opportunity. Will relocate. Write for resumé. Box 7604, The CREDIT WORLD, 375 Jackson Ave., St. Louis 30, Mo.

CREDIT MANAGER, collections, office management and finance, 14 years' experience. Can set up new company or credit department. Age 37, college. Will relocate. Box 7606, The CREDIT WORLD, 375 Jackson Ave., St. Louis 30, Mo.

CANADIAN CREDIT MANAGER desires position with growing concern. 12 years' experience as credit manager and 9 years in accounting. MCI degree. Prefers New England. Box 7607, The CREDIT WORLD, 375 Jackson Ave., St. Louis 30, Mo.

CREDIT SALES MANAGER. 14 years' multiple branch department store experience in credit, collections, office management and branch store supervision. Free to locate or travel. Box 7608, The CREDIT WORLD, 375 Jackson Ave., St. Louis 30, Mo.

GENERAL CREDIT MANAGER desires to change positions. Familiar with every phase of retail credit operations. College and law school graduate. 20 years' experience with top-flight home furnishings and clothing chains. Will relocate anywhere. Salary sought, $11,500. Box 7609, The CREDIT WORLD, 375 Jackson Ave., St. Louis 30, Mo.

For Sale

23 used Remington Rand Collect-a-matic accounts receivable ledger trays and 17 well-constructed wood dollies. Capacity 8,500 accounts, 375 per tray. Equipment is visible index, complete with ageing signals, uses up to 8" x 5½" ledger card. Ideal for retail accounts receivable or SUIAP application. Present location, central California. Box 7601, The CREDIT WORLD, 375 Jackson Avenue, St. Louis 30, Mo.

Wanted to Buy

Used Cycle Billing equipment large enough to take care of 10,000 or more accounts. We want complete equipment, viewer and micro-film. Can also use Addressograph and Graphotype. Box 7605, The CREDIT WORLD, 375 Jackson Avenue, St. Louis 30, Mo.

Help Wanted

CONTROLLER for large Midwest retail furniture company. Salary $15,000 or more depending upon qualifications. Box 7603, The CREDIT WORLD, 375 Jackson Avenue, St. Louis 30, Mo.

W. V. Trammell

W. V. Trammell, retired, died May 17, 1960, in Birmingham, Alabama. Burial was in Elmwood Cemetery. He was President and General Manager, Merchants Credit Association, Birmingham, and Secretary Treasurer, Associated Retail Credit Managers of Birmingham from 1918 until 1956 when retired. In 1919 he was a director of the National Retail Credit Association and since his retirement had been an Honorary Life Member. Bill was well known throughout credit circles and had attended many of our national conferences. The national office extends its deepest sympathy to all who survive him.

Wilson C. Fox

Wilson C. Fox, 62, Secretary-Treasurer, Babcock Dairy Company, Toledo, Ohio, died recently at his home in Toledo. He was active in many civil and religious organizations and in 1955-1956 served as President of District 5, N. R. C. A. He is survived by his wife, two daughters, two brothers and two grandsons to whom we extend our deepest sympathy.

Fred P. Entler in New Position

Fred P. Entler has resigned his position as Secretary-Treasurer, Charg-It, Bristol, Virginia-Tennessee, to accept a position as Director of Development, Emory and Henry College, Emory, Virginia. He was President of District 4, N. R. C. A., in 1959-1960 and served as coordinator of the 1960 Southern Credit Conference held recently in New Orleans, Louisiana. He was chairman of this year's consumer education committee for N. R. C. A., and chairman of the Board of Directors of the Credit Bureau of Bristol.

Michigan State Executive Program

The College of Business and Public Service at Michigan State University, East Lansing, Michigan, will conduct their Second Annual Executive Program on the University Campus, July 17-22, 1960. The program is intended for executives within the approximate age range of 35 to 45 who have already had considerable experience and hold positions requiring the ability to make decisions and to take appropriate action. Enrollment is limited in order to insure maximum individual participation. For further information write to Dr. Ole S. Johnson, Director, The Executive Program in Retail Management, 102 Business Administration, Michigan State University, East Lansing, Michigan.

Mary E. Altizer Retires

Mary E. Altizer, Credit Manager, S. H. Heironimus and Company, Roanoke, Virginia, retired recently after 48 years service with the company. Upon her retirement the Company honored her with a dinner at Hotel Roanoke.

She founded the Credit Women's Breakfast Club in Roanoke; is a past president of the Roanoke Altrusa Club and a past governor of Altrusa; a member of the Calvary Baptist Church and a teacher in the adult department of the Sunday School. She has also served on various committees of the National Retail Merchants Association and the National Retail Credit Association and has been attending our national conferences since 1926. She now becomes an honorary life member of N. R. C. A. She lives at 811 13th Street, SW, Roanoke, Virginia. The N. R. C. A. wishes her many years of health and happiness in her well-deserved retirement.

Alan S. Jeffrey in New Position

Alan S. Jeffrey has announced his resignation as Executive Vice President and Secretary of the American Finance Conference, Chicago, Illinois, to assume the post of Executive Vice President of the National Association of Credit Management, New York, New York, early in July. Edwin B. Moran, Executive Vice President of the Association will retire December 31, 1960 but will be available in an advisory capacity.

Public Credit Forum in St. Petersburg

The Associated Retail Credit Grantors, St. Petersburg, Florida recently conducted a credit forum to which the public was invited. The panel of experts was made up of eight members of the association with Ralph W. Haskell, Jr., City Fuel Oil Company, as moderator. The address of welcome was given by Frank G. Wilson, First Federal Savings and Loan, President, Associated Retail Credit Grantors. Subjects discussed were consumer bank credit, mortgage credit, and retail consumer credit. A notice of the event was included in 60,000 statements sent to customers. In addition to the addresses on the various credit subjects and answering questions from the floor, the association distributed the booklet "The Good Things of Life on Credit," along with a booklet on FHA financing. A complete tape recording was made of the program plus a card index of the questions asked and used.

St. Johns, Newfoundland, Canada

At the organizational meeting of the Credit Grantor's Association, St. Johns, Newfoundland, Canada, the following officers and directors were elected: President, Graham Wilansky, Wilansky & Sons Ltd.; Vice President, Charles W. Coish, Bowring Brothers Ltd.; and Secretary-Treasurer, Stephan French, Credit Bureau of St. Johns. Directors: Roland R. Inkpen, Bowring Brothers Ltd.; Michael T. Finn, W. J. Murphy Ltd.; Henry Rowe, Ayre's Ltd.; and Peter Harvey, Steers Ltd.

"Listening"

(Beginning on page 8)

versation about fishing. In the meantime, Dr. Charters might pull out his pipe and fill it. Still listening, he would step over to another part of the room for a glass of water. Finally, he would come over to me, sit down and ask, "Well, what do you have on your mind?"

I presented my problem. From time to time, he might throw in a question or comment. Finally, after hearing me out, we worked out a solution.

When I met Dr. Charters some years later, I asked him how he had become such a wonderful listener.

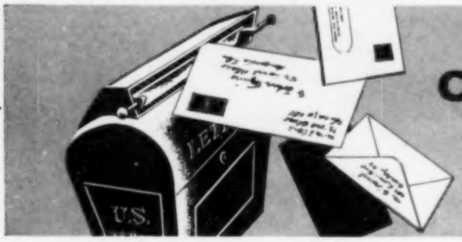
He replied in words to this effect, "Well, it was this way. When I asked people what they didn't like about their superiors or others they dealt with, the answer was usually, 'I don't like my boss because he nevers listens to me!' So, whenever someone comes to me, I move away from my desk and do something to get my mind off the problems on the desk so I won't be listening with only half an ear. Then I go over and sit down in what I call my listening chair. Once there, I try to listen completely."

You might try Dr. Charters' approach in your own office. You can move away from distractions by moving to a spot where it is easy to listen.

Perhaps I have given the impression that you should do nothing but listen from now on. That is not my point. Talking, of course, is essential to your work. You must give instructions and provide information. It is imperative that you sharpen your skills in speech through training and observation. But, my primary objective here is to discuss one aspect of communication that is often overlooked.

We have not thought enough about listening as a tool. We cannot see, hear, or touch this tool. Perhaps its intangibility explains our neglect. Listening is a difficult tool to use, but do not let past neglect or present difficulty deter you from learning to use one of the credit manager's most important tools. ★★★

Credit Women's Breakfast at Mid-Atlantic Conference, Philadelphia, Pennsylvania



CREDIT DEPARTMENT Communications

LEONARD BERRY

DO APPEARANCES count? Certainly they do. As a customer approaches your desk do you not scan him quickly and arrive at a general opinion of him? Of course, we all do. True, that initial appraisal is not always accurate or fair. Greater knowledge and closer understanding might well make necessary a revision of that first impression.

Nonetheless, appearances do count. That is why we stress the importance of making a good impression on the visitor to our offices. Attractive surroundings, soothing decor, gracious and soft-spoken credit counselors, all have a tremendous value in creating a favorable atmosphere for the conduct of the business interview which is the purpose of the visit.

It is the same with business letters.

Letters are *sized up* from their appearance before the message is read. To be sure, the most important thing about a letter is its message. The letter that *looks* important, however, stands a better chance of being read than the letter which looks cheap and ordinary.

One influencing factor in the appearance of the letter is the quality of the envelope and letterhead. Small economies in this connection are unwise and shortsighted. The cost of the average business letter has been placed at about $1.50, while the cost of excellent paper and envelope can hardly exceed three cents.

We said last month that most business letters were too long. That is true. Solid masses of typing tend to discourage the reader from paying attention to the letter. Paragraphs that march along like phalanxes intimidate the reader. Irregular paragraph lengths and varied patterns in sentence structure make for easier and pleasanter reading.

It perhaps is unnecessary to mention the importance of clean typing, absence of erasures and accurate spelling. These are basic requirements of the selling letter. Yet, we so often see an effective business letter, with excellent ideas and well chosen words, marred by careless spelling errors and messy erasures.

About the only really personal part of the modern business letter is the signature. This is the personal expression of the writer. The signature should be clear and legible. Those thick, heavy signatures which spill over into surrounding type seem to give the impression of force and power. In some cases, this is not altogether bad, but generally speaking, the signature should be modestly confident, and easily readable and without those grandiloquent flourishes some letter writers think necessary. A well-thought out letter, expertly prepared, with persuasive presentation of ideas, is helped greatly by a personal signature which gives an impression of thoughtfulness and kindness, not ruthless dominance.

Even the folding of the letter is a significant detail. The letter should be neatly and carefully folded and placed in the envelope accurately. Have you not often noticed letters inserted clumsily and awkwardly in the envelope.

These seem to be small and trivial matters. However, if we are to write successful selling letters we must be everlastingly on guard against falling into carelessness and indifference. We want our readers to be impressed by what we have to say. We want to stimulate our readers to take the recommended action. How we say it helps to register the rightness of what we say. We can give the impression of neatness and carefulness or of heedlessness and neglect. The details make the difference.

Several years ago, Ivor Brown, noted author and critic, said this: "The craftsman is proud and careful of his tools; the surgeon does not operate with an old razor blade; the sportsman fusses happily and long over the choice of rod, gun, club or racquet. But the man who is working in words, unless he is a professional writer (and not always then), is singularly neglectful of his instruments."

This Month's Illustrations

First, we want to make a special plea to our members to send us examples of their credit department letters and forms for possible reproduction on this page. This feature of The CREDIT WORLD is popular with members and helpful to them in providing ideas for effective communications. However, unless we receive a constant flow of actual letters and forms we soon run out of material. Please give us your cooperation.

Illustration No. 1. Here we show a brief but friendly collection reminder from Earline's, Florence, Alabama. Note the effective opening. There is a distinct trend to use this informal type of salutation rather than the time-worn, "Dear Mrs. Jones." Do you like the method?

Illustration No. 2. We thought you would be interested in this promotional letter received by the daughter of one of the National Office staff members. She has just graduated from college. Note the application for an oil company credit card which appears just above the letter. Young people graduating from college and entering on their business or professional careers are usually excellent prospects for credit sales.

Illustration No. 3. Members are always interested in seeing collection reminders. Here we show a series of three such notices used by the Goodyear Service Stores. We repeat what we have often stated on this page that printed reminders are effective, economical and impersonal for the early stages of collections. The wording should be changed periodically so customers will not become too familiar with them!

Illustration No. 5. The Addis Company, Syracuse, New York is renowned for imaginative and aggressive credit sales programs. Here is an excellent idea. The dates of the birthdays of children of credit customers are obtained and friendly birthday greetings sent to them. Hugh Martin, Manager of Credit Sales, reports that this delightful procedure has earned the staunch friendship of countless little Syracusians.

Earline's

north court street · florence alabama

(1)

Good Morning, Mrs. Doe:

The excellence of your previous record for prompt payment occasions this letter because we believe you must have overlooked your account of $________, which was due on ____________.

From past experience we know we can depend on you to send in this past due amount today.

Cordially yours,

EARLINE'S

J. L. Nichols

Customer Number ____________ Type of Acct. ________ No. Cards ______ Yr. Opened ________

ABOVE THIS LINE FOR PHILLIPS USE ONLY

________________________________ Married ___ Single ___ (2)

Name (Please print or type)

My college address is: ____________________ ____________________

My home address is: ____________________ ____________________

I bank at ____________________

Name of Bank

____________________ ____________________

Town and State Please sign here

PHILLIPS PETROLEUM COMPANY

SALES DEPARTMENT

KANSAS CITY 41, MISSOURI

Dear College Senior:

We are pleased to offer you a Phillips 66 International Credit Card, which will be sent immediately upon receipt of the enclosed form. The college diploma you will soon receive is your credit reference, because we are confident that it will serve as a means to your successful future.

You will find the use of your Phillips Credit Card a convenient method for establishing further credit rating, simply by using us as a credit reference. Also, you will enjoy the many conveniences of motoring pleasure on long vacation trips or local driving, since your credit card will be honored throughout the United States and Canada. It provides automatic records for tax and expense purposes through receipt of one statement from one source each month. The need of carrying unnecessary amounts of cash is reduced to a minimum.

May we have the privilege of serving you soon. We are confident that Phillips 66 products and service will meet your every motoring need.

Sincerely,

R. C. Harris

Division Manager

It's Performance That Counts

FLITE-FUEL — TROP-ARTIC

CUSTOMERS SAY They appreciate being informed promptly when their accounts become overdue . . . . . as it is often an oversight.

A payment of $____________________was due on your account on____________________

You may use this convenient envelope to mail your payment – or better still, stop in today. If payment has been made, please consider this a Thank You!

(3)

By____________________

SECOND NOTICE Date____________

YOUR CONTRACT ACCOUNT SHOWS:

$__________ Past Due __________

$__________ Due __________

$__________ Total __________

$__________ Bal. of Account __________ By __________

To continue this contract, we must have your remittances on due dates. If payment has been mailed, please disregard this notice. THANK YOU.

FINAL NOTICE

You have defaulted on your contract by not making payments as agreed.

The amount now overdue is $____________

Therefore, we now demand payment in full at this office by__________ or we shall proceed immediately thereafter to repossess the merchandise in accordance with the conditions of the contract you signed.

GOODYEAR SERVICE STORES

A DIVISION OF

THE GOODYEAR TIRE & RUBBER COMPANY, INC.

By____________________

Merchandise ____________________

Do You Remember?

Your agreement on Budget Charge Account states that the limit will not exceed $__________

Our records indicate you have exceeded the limit agreed upon by $__________. Will you please pay the overlimit or contact our Credit Office and make arrangements for a higher limit immediately, so your charges may be accepted without question.

Cordially,

Miller's

Credit Department

(4)

DETACH ON PERFORATION

Happy Birthday To You

Happy Birthday To You

(5)

Happy Birthday From All Of Us

Happy Birthday To You

our birthday gift to you . . .

The Addis Company's Children's World

BIRTHDAY GIFT CERTIFICATE

Amount Two Dollars

Just bring this Birthday Gift Certificate to the Addis Company's Children's World — at either our Downtown or Shoppingtown store. You may select whatever you wish and apply this certificate valued at two dollars, toward the purchase price of the merchandise.

the addis co.

Local Association Activities

Fort Lauderdale, Florida

The 1960-1961 Officers and Directors of the Broward Retail Credit Association, Fort Lauderdale, Florida, are: President, George J. Ernst, Poinsettia Press; First Vice President, Thomas Graham, Broward Adjustment Service; Second Vice President, Robert Trimble, Sherwin-Williams Paint Company; Third Vice President, Jene Woodward, Burdine's; Secretary, Charles A. Lassa, Credit Bureau of Broward County; and Treasurer, Kay East, Tropical Press. Directors: Richard J. Wheeler, Dun & Bradstreet; Al Haymon, Broward National Bank; Dru Lyman, B & L Paint Company; Thomas Harber, Fashion Cleaners; and Clifford Kiefer, Fort Lauderdale Furniture Company.

Knoxville, Tennessee

At the annual meeting of the Retail Credit Association of Knoxville, Tennessee, the following officers and directors were elected: President, Mrs. Mossie Cunningham, J. S. Hall's Sons; First Vice President, R. E. Mapes, Baum's Home of Flowers; Second Vice President, L. M. Parry, Tennessee Mill and Mine Supply; Third Vice President, T. E. Kirkham, Woodruff Hardware; Secretary-Treasurer, A. C. Bittle, Sr., Credit Bureau of Knoxville. Directors: John I. Dale, Rich's; Bert B. Bateman, Chandler and Company; J. Hoyle Brown, Brown, Greer & Company; E. Howard Moulton, Park National Bank; Kenneth K. Alton, Moser Furniture Company; Robert V. Weaver, Weaver Sales Company; S. J. Nicely, Miller's; and Harry H. Duncan, Bank of Knoxville.

Medicine Hat, Alberta, Canada

The new officers and directors of the Medicine Hat Retail Credit Grantors Association, Medicine Hat, Alberta, Canada, are: President, Douglas Smith, Beny Motors Ltd.; First Vice President, William Duggan, Beveridges Ltd.; Second Vice President, Sam Melnyk, Toronto-Dominion Bank; Treasurer, Glen Chapman, The T. Eaton Company; and Secretary, Leonard McGee, Credit Bureau of Medicine Hat. Directors: Alex Tennant, Capitol Furniture; Robert Marble, Royal Bank of Canada; Murray Chappell, Industrial Acceptance Corporation Ltd.; Nick Serniak, Betty Shoppe Ltd.; Arnold Sjolie, Macleods Ltd.; Marie Oliphant, Darling Dress Shop; Irene Bull, Art Bull Ltd.; W. A. Milroy, J. J. Moore & Son Ltd.; Sam Stone, Stone Furs; Louis Lesk, Lesk's Men's Wear; J. E. Morrison, Beneficial Finance Company of Canada; and Vaughan Hullock, Traders Finance Corporation Ltd.

Reading this publication carefully and regularly will contribute to your success as a Credit Executive.

Evansville, Indiana

The new officers of the Evansville Credit Granters Association, Evansville, Indiana, are: President, V. E. Pyle, Schear's Department Store; Vice President, Riley Lilly, Citizens National Bank; Secretary, Lillian Montgomery, Evansville Store; and Treasurer, G. F. Spindler, Merchants Credit Bureau. Directors: Richard Roeder, Kruckemeyer & Cohn; William O. Burns, William O. Burns, Loans; Charles W. Kroener, Southern Indiana Gas & Electric; Edward H. Poggemeier, Old National Bank; Paul R. Stinson, Finke Furniture Company; Arthur P. Walling, Professional Service Loan Association; Jack Walsh, Evansville Morris Plan Company.

Santurce, Puerto Rico

At the organizational meeting of the Credit Granters Association of Puerto Rico, Santurce, Puerto Rico, the following officers and directors were elected: President, Luis M. Geigel, Metropolitan Finance Corporation; Vice President, Fernando L. Armstrong, Molinas de Puerto Rico; Treasurer, Jose E. Gonzales, Michelena and Company; and Secretary, Willard M. Rogers, Credit Bureau of Puerto Rico. Directors: Diego Luis Corretjer, Garcia Commercial; Jerome E. Firsty, Hazel Bishop, Inc.; Fernando Gallardo, S. J. Intercontinental Hotel; David P. Sherman, Brite of Puerto Rico; and Oscar Silva Alba, Metropolitan Finance Corporation.

Birmingham, Alabama

The new officers and directors of The Associated Retail Credit Managers, Birmingham, Alabama, are: President, J. H. Cruce, Yielding's; First Vice President, J. L. Reading, Drennen Motors; Second Vice President, R. A. Smith, F. G. Calder Furniture Company; Third Vice President, Mrs. Glacie Crowe, Brett Gas; and Secretary-Treasurer, J. E. Fenn, Merchants Credit Association. Directors: J. L. Bragg, Cobbs Allen & Hall; George H. Allen, Fidelity Mortgage Company; George W. Anthony, Jr., Alabama Home Supply; Jess R. Cowart, Bromberg and Company; George W. Crawford, Alabama Power Company; Aubrey P. Glass, Blach's; E. L. Goodman, Burger-Phillips Company; Richard E. Killette, Moore-Handley Hardware Company; H. L. Nabors, Sears Roebuck & Company; Mrs. Pearl Pruett, Taylor Glass Company; W. H. Ray, New Williams; and W. E. Shine, First National Bank of Birmingham.

Prince George, British Columbia, Canada

At the organizational meeting of the Credit Grantor's Association, Prince George, British Columbia, Canada, the following officers and directors were elected: President, Jack Spaner, Spaners' Men's Wear; Vice President, Joseph Siddons, The Citizen Publishers & Printers; Treasurer, Robert Bowie, The Cinderella Shop; and Secretary, Mrs. Ninie Jandzik, Credit Bureau of Prince George. Directors: Dennis Coleman, Simpsons' Sears; Peter Yip, Royal Produce Store; Harry Ramsay, Toronto-Dominion Bank; and Anthony Reynes, Credit Bureau of Prince George.

Consumer Credit Outlook

Consumer instalment credit outstandings increased $533 million during the month, to a total of $40.3 billion at April 30. Extensions of all major types of instalment credit increased by a total of $4,437 million in April, while repayments rose to $3,904 million. All figures are seasonally adjusted.

The increase in outstanding automobile credit, seasonally adjusted, at $255 million in April, exceeded that in any month since 1955, with the exception of October 1959.

Other consumer goods paper and personal loan categories showed a substantial increase in outstandings during April, while repair and modernization loans indicated a moderate increase.

Noninstalment credit outstanding increased $159 million, seasonally adjusted, in April. Most of the expansion was accounted for by charge accounts, which had risen only slightly in the first quarter.

Total consumer credit outstanding increased $692 million in April, on a seasonally adjusted basis, to $52.2 billion.

The Instalment Credit Commission of the ABA reports little change is noted in the collection picture at April 30, 1960. Combined average delinquency percentages of commercial banks remain at 1.70 which is unchanged from the previous month. A year ago delinquencies averaged 1.87 per cent.

Instalment loan demands continue strong, although extensions are being allocated with care and prudence. Terms are holding firm in all classes of instalment credit. While automobile loan volume has improved during the past several months, dealers are discouraged by the lack of profit and accumulating inventories. With over 1,000,000 new cars on hand and the continued piling up of used cars, the cleanup period could create problems. Extreme caution is indicated in flooring obligations and in retail credit selection for the foreseeable future.

More young people will be completing more years of schooling in the future, according to Commerce Department projections. By 1970 nine per cent of the population will have completed college, up from the six per cent in 1950. In 1950 only 38 per cent had gone to high school, but by 1970 about 52 per cent are expected to have had at least some high school training.

The increase in population brings changes in marketing demands. That segment 65 years and older now number 16 million and their ranks are expected to increase to 20 million in the next few years. Credit sales executives will find the demands of this important segment of the population different. Their incomes, as well as their demands, are reduced. Although retired, in many instances their status is that of semi-retirement in that inflationary factors have forced this group to seek part-time employment to supplement retirement income.

Francis J. Lukes, credit sales manager, Schuster's, Milwaukee, reports that customers in the 60-and-over age group are no longer as great a credit risk as they once were. Planned income and investment, plus social security, makes them

Changes in Department Store Sales and Accounts Receivable

Item April 30, 1960		Percentage change from: Month ago	Year ago
Sales during month:	Total	+24	+17
	Cash	+23	+17
	Charge	+23	+17
	Instalment	+25	+18
Accounts receivable, end of month:			
	Charge	+ 6	+ 9
	Instalment	— 1	+18

Collection Ratios and Percentage Distribution of Sales

Item		Apr. 1960	Mar. 1960	Apr. 1959
Collection ratios:[1]	Charge accounts	44	48	47
	Instalment accounts	15	16	15
Percentage distribution of sales:				
	Cash	43	42	43
	Charge	43	43	43
	Instalment	14	15	14

[1] Collections during month as a percentage of accounts receivable at beginning of month.

Short- and Intermediate-Term Consumer Credit Outstanding
(Estimates, in millions of dollars)

Type of credit	April 30, 1960	Change during: Apr. Unadj.	Apr. Sea. Adj.	Year ended April 30, 1960
Instalment credit, total	40,265	+ 617	+533	+5,503
Automobile paper	17,218	+ 342	+255	+2,408
Other consumer goods paper	10,022	+ 82	+156	+1,267
Repair and modernization loans	2,736	+ 30	+ 31	+ 372
Personal loans	10,289	+ 163	+ 91	+1,456
Noninstalment credit total[1]	11,904	+ 390	+159	+ 958
Single-payment loans	4,247	+ 25	+ 25	+ 435
Charge accounts[1]	4,451	+ 333	+130	+ 291
Service credit	3,206	+ 32	+ 4	+ 232
Total consumer credit[1]	52,169	+1,007	+692	+6,461

[1] Includes amounts outstanding on service station and miscellaneous credit-card accounts and home-heating oil accounts, which totaled $414 million on April 30, 1960.

very desirable accounts.

Business is warned that a wave of tariff cuts is now in the offing. The government is reported offering across-the-board reductions on imported goods at talks with foreign experts in Geneva this fall.

Credit is being eased by the Federal Reserve Board. The purpose is to encourage lenders to reduce costs on business loans, instalment paper and personal loans. The object is to induce more borrowing. The Federal Reserve Banks of Philadelphia and San Francisco have taken the lead by cutting their discount rate from 4 to 3.5 per cent. Eight more district banks have been authorized to cut their rates. This is the rate commercial banks pay when they borrow to lend to business and consumers.

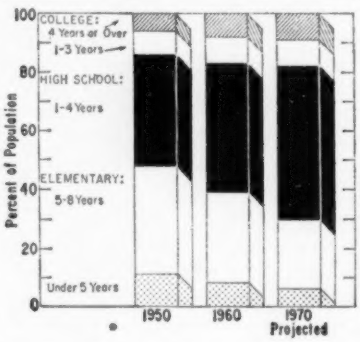
Employment rose by 1,049,000 persons last month to reach a record high of 67,208,000, setting a new record for May. Unemployment fell by 201,000 to 3,459,000. The Secretary of Labor reports that there is still a major sector of weakness in manufacturing industries, particularly in the metal working section. Weekly earnings of factory workers rose by 91 cents last month, to an average of $90.74. Hourly earnings were unchanged from the previous month, but the number of hours worked rose by 24 minutes to 39.8 hours.

Dr. Evan Clague, Commissioner of the U.S. Labor Department's Bureau of Statistics, said "Employment has not advanced in proportion to production; production is not rising as rapidly as we would like it to; and employment has remained at higher levels than we have usually experienced in a prosperity year."

Total Personal Incomes of Canadians marked up a 6.1 per cent increase in 1959 to an estimated $25,940,000,000...12.7 per cent higher than 1958. Provincial figures showed a wide variation in their rate of increase from the national figure.

Murray T. Bloom, writing in the American Weekly, states

Growth of Schooling



that "Credit drunks are America's newest social problem. The most current estimate is that we probably have about 100,000 of them, with specimens in every city and suburb in the country. For years they've been bedeviling their families, creditors, social agencies, lawyers, and neighbors."

George T. Wruck, general manager, Associated Retailers Credit Bureau of Omaha, speaking before a luncheon meeting, said that "It's time for the public to believe in their own State Government; to believe that there are laws rendering the public better service and protection if continued on a do-it-yourself-at-home basis."

The automatic electronic "silent salesman" which Macy's of New York is installing in its first floor men's furnishings department is firing the imagination of retailers. The machine's first application will be for the merchandising of men's T-shirts. Retailers are thinking of other items that could be sold this way.

The machine accepts $1 and $5 bills and all kinds of change up to a total of $9. It returns paper change neatly rolled up in cardboard tubes. It rejects counterfeit bills and coins and won't accept $2 bills.

Merchants see the machine as a valuable business producer in "dead" store space and "off" periods. Predictions for the machine are that it will revolutionize the retail distribution in the next 15 years.

Alert credit sales executives are noting the continued growth of trading stamps, which have become a major force in selling. They are credited with altering sales patterns. One manufacturer's survey indicates 48 per cent of shoppers changed shopping habits to buy at stamp-giving retail outlets. Eight out of ten families now save stamps. It is reported that 250,000 retailers in a wide variety of outlets give stamps today. The total value of stamps sold to retailers in 1959 amounted to $600 million.

Credit Unions enjoyed another banner year in 1959, as they enrolled 874,000 new members and added another $548 million to their members' savings accounts, according to H. Vance Austin, managing director, Credit Union National Association. Outstanding credit union loans increased 20.2 per cent in 1959.

Mr. Austin said that credit union membership in the United States at year end 1959 had reached 11,302,866. There are 19,825 credit unions in operation today. Savings total $4,382,470,759, an average of $387 for each member. Outstanding credit union loans jumped to $3,699,276,427. Assets grew 12 per cent in 1959 to a total of $4,867,292,503.

W. & J. Sloane, home furnishings store, has ar-

ranged with International Charge, Inc., a subsidiary of Seaboard Finance Corporation, to handle all of its credit operations, effective July 1. International Charge, Inc. is reported to have taken over approximately $30 million in credit business.

Personal Income in April was at a seasonally adjusted annual rate of $397.5 billion, $3.5 million higher than March, the Office of Business Economics, U. S. Department of Commerce reported.

Two studies throw new light on the use of credit cards. FRB says that almost 80 per cent of the purchases made on credit cards in general use are for business expenses, while about 20 per cent are for personal use. These figures apply to the type of card that is good for a variety of things . . . meals, hotels, and transportation.

A second study covered the use of credit cards at restaurants. Of 2,000 people surveyed, only three per cent held restaurant cards. One-third reported they never use the card for meals. Thus, fewer than two per cent make use of the card at restaurants.

Some 300 bankers attending the annual meeting of the Michigan Bankers Association in Detroit recently went on record as opposing the extension of auto and consumer loans beyond the 36-months period. Paul R. Geisinger, vice president, National City Bank of Cleveland, stated that "banks must be progressive, but should stay clear of deteriorating their business by lowering their standards."

The Diners' Club and American Oil Company have mail enclosures in Snellenburgs' monthly bills offering their service to the store's approved charge customers in Greater Philadelphia.

Traveling sales executives may soon have another credit card to carry, this one good for airport limousine service in 80 cities. The new plan, sponsored by the Air Ground Transportation Association, permits companies to buy books of scrip at $15 each to pay for transportation to and from airports. Employees who travel frequently by air may take along a book or take just what they need.

The Chamber of Commerce says for every 100 new factory workers a community can expect a population boost of 296, 51 more school children, 107 more automobiles, a $590,000-a-year jump in personal income, $360,000 more in retail sales.

Consumer Instalment Credit, by Holder and Type of Credit
(Estimated amounts outstanding, in millions of dollars)

Type of credit and institution	Apr. 30, 1960	Increase or decrease during: Apr. 1960	Apr. 1959	Year ended Apr. 30, 1960
Total	40,265	+617	+528	+5,503
Commercial banks	15,402	+263	+288	+2,028
Sales finance companies	10,604	+247	+141	+1,683
Credit unions[1]	3,418	+ 87	+ 56	+ 652
Consumer finance companies[1]	3,858	+ 47	+ 9	+ 471
Other financial institutions	1,803	+ 9	+ 17	+ 241
Retail outlets[2]	5,180	— 36	+ 17	+ 428
Automobile paper	17,218	+342	+316	+2,408
Commercial banks	7,641	+168	+170	+1,076
Sales finance companies	7,538	+131	+114	+ 995
Other financial institutions	1,433	+ 32	+ 21	+ 255
Automobile dealers	606	+ 11	+ 11	+ 82
Other consumer goods paper	10,022	+ 82	+ 64	+1,267
Commercial banks	2,567	+ 5	+ 22	+ 257
Sales finance companies	2,096	+108	+ 21	+ 514
Other financial institutions	785	+ 16	+ 15	+ 150
Department stores[3]	2,055	— 48	0	+ 274
Furniture stores	1,080	— 9	— 2	+ 37
Household appliance stores	277	— 4	0	— 5
Other retail outlets	1,162	+ 14	+ 8	+ 40
Repair and modernization loans[4]	2,736	+ 30	+ 26	+ 372
Commercial banks	1,948	+ 21	+ 20	+ 228
Sales finance companies	42	+ 3	— 1	+ 22
Other financial institutions	746	+ 6	+ 7	+ 122
Personal loans	10,289	+163	+122	+1,456
Commercial banks	3,246	+ 69	+ 76	+ 467
Sales finance companies	928	+ 5	+ 7	+ 152
Other financial institutions	6,115	+ 89	+ 39	+ 837

[1] Estimates of loans at credit unions and consumer finance companies by type of credit are included with figures for other financial institutions.
[2] Figures by type of retail outlet are shown below under the relevant types of credit.
[3] Includes mail-order houses.
[4] The face amount of outstanding FHA Title I loans at the end of April is reported by the Federal Housing Administration to be 1,826 million, of which an estimated 1,552 million is for consumer purposes and is included in the above.

Consumer Instalment Credit Extended and Repaid, and Changes in Credit Outstanding
(In millions of dollars)

	Total	Automobile paper	Other consumer goods paper	Repair and modernization loans	Personal loans
Without seasonal adjustment					
Credit extended					
1960—April	4,457	1,697	1,168	173	1,419
Mar.	4,201	1,633	1,062	163	1,343
1959—April	4,073	1,598	1,090	173	1,212
Credit repaid					
1960—April	3,840	1,355	1,086	143	1,256
Mar.	3,951	1,434	1,119	152	1,256
1959—April	3,545	1,282	1,026	147	1,090
Seasonally adjusted*					
Credit extended					
1960—April	4,437	1,652	1,240	178	1,367
Mar.	4,119	1,555	1,118	172	1,274
1959—April	3,989	1,527	1,146	176	1,140
Credit repaid					
1960—April	3,904	1,397	1,084	147	1,276
Mar.	3,711	1,345	1,042	144	1,180
1959—April	3,540	1,296	1,013	149	1,082
	Changes in outstanding credit, seasonally adjusted[1]				
1960—April	+533	+255	+156	+31	+ 91
Mar.	+408	+210	+ 76	+28	+ 94
1st qtr. mo. av.	+403	+194	+ 81	+28	+100
1959—4th qtr. mo. av.	+392	+151	+ 74	+28	+139
3rd qtr. mo. av.[2]	+511	+214	+121	+33	+143
2nd qtr. mo. av.	+474	+222	+139	+34	+ 79
1st qtr. mo. av.[2]	+369	+175	+ 96	+22	+ 76

[1] Seasonally adjusted changes in outstandings derived by subtracting credit repaid from credit extended.
[2] Changes do not reflect the incorporation of figures for amounts outstanding for Alaska and Hawaii in January and August, respectively.
NOTE:—Estimates of instalment credit extended and repaid are based on information from accounting records of retail outlets and financial institutions and include finance, insurance, and other charges covered by the instalment contract. Renewals and refinancing of loans, repurchases or resales of instalment paper, and certain other transactions may increase the amount of both credit extended and credit repaid without adding to the amount of credit outstanding.
* Includes adjustment for differences in trading days.

Quotable "Quotes". . . .

• *Charles F. Kettering:* **"Whenever you look at a piece of work and you think the fellow was crazy, then you want to pay some attention to that. One of you is likely to be, and you had better find out which one it is."**

• *Victor Hugo:* "It is through fraternity that liberty is saved."

• Arnold Bennett: *"It is well, when one is judging a friend, to remember that he is judging you with the same godlike and superior impartiality."*

• *Walter Lippman:* **"True opinions can prevail only if the facts to which they refer are known; if they are not known, false ideas are just as effective as true ones, if not a little more effective."**

• *Adlai Stevenson:* "There is a New America every morning when we wake up. It is upon us, whether we will it or not. The New America is the sum of many small changes—a new subdivision here, a new school there, a new industry where there had been swampland—changes that add up to a broad transformation of our lives. Our task is to guide these changes. For, though change is inevitable, change for the better is a full-time job."

• Duncan Stuart: *"The greatest gift we can bestow on others is a good example."*

• *Bruce Barton:* **"If advertising can be accused of making people live beyond their means, so can matrimony."**

• *Christopher Morley:* "The big shots are only the little shots who kept shooting."

• Henry Clay: *"Statistics are no substitute for judgment."*

• *Theodore Roosevelt:* **"It is difficult to make our material condition better by the best laws, but it is easy enough to ruin it by bad laws."**

• *Edith Wharton:* "There are two ways of spreading light: to be the candle or the mirror that reflects it."

• Monitor: *There's one family in the neighborhood looked upon with awe by their neighbors. They're the only ones in the area who, at least temporarily, are not involved in time-payment plans."*

Philosopher's Corner

"Any one can hold the helm when the sea is calm."

—PUBLILIUS SYRUS (Circa 42 B.C.)

• *Dwight W. Morrow:* **"Any party which takes credit for the rain must not be surprised if its opponents blame it for the drought."**

• *Diogenes:* "One should live with his superiors as he does with his fire; not too close, lest he burn; nor too far away, lest he freeze."

• Sir Walter Scott: *"When a man hasn't a good reason for doing a thing, he has a good reason for letting it alone."*

• *James Robertson:* **"On the clarity of your ideas depends the scope of your success in any endeavor."**

• *Calvin Coolidge:* "I do not believe that the government should ask social legislation in the guise of taxation. If we are to adopt socialism, it should be presented to the people as socialism and not under the guise of a law to collect tax revenue."

• Sir Winston Churchill: *"It is a socialist idea that making profits is a vice. I consider the real vice is making losses."*

• *Charles F. Kettering:* **"One of the things we have to be thankful for is that we don't get as much government as we pay for."**

• *Dr. William Osler:* "A man is sane morally at thirty, rich mentally at forty, wise spiritually at fifty—or never!"

• Victor Hugo: *"A man is not idle because he is absorbed in thought. There is a visible labor and there is an invisible labor."*

• *Mark Twain:* **"When some men discharge an obligation you can hear the report for miles around."**

• *Anonymous:* "If you want to succeed in the world you must make your own opportunities as you go on. The man who waits for some seventh wave to toss him on dry land will find that the seventh wave is a long time coming."

• Andrew Jackson: *"One man with courage makes a majority."*

• *Nicholas Murray Butler:* **"To be positive: To be mistaken at the top of one's voice."**

• *Bill Nye:* Let us not despise them that hate us, for they neglect their own job in order that they may apprise us of our faults."

A Thought . . .

Contributed by Earl Paddon, St. Louis, Missouri. What's your favorite text?

"Behold, how good and how pleasant it is for brethren to dwell together in unity!"

—Psalms 133

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